

## New Listing

6 January 2011

# Tambun Indah Land Berhad

**Offer Price : RM0.70**

**Fair Value : RM0.81**

Public Issue Of 32.0m New Shares, And Offer For Sale Of 22.1m Shares

Table 1: Investment Statistics										Bloomberg: TILB MK
FYE	Turnover	Net Profit	EPS	EPS Growth	PER	P/CF	P/NTA	ROE	Gearing	GDY
Dec	(RMm)	(RMm)	(sen)	(%)	(x)	(x)	(x)	(%)	(x)	(%)
2009	100.9	23.9	10.8	1.5	7.5	-	1.5	19.6	Net Cash	+
2010f	111.8	25.8	11.7	7.9	6.9	4.3	1.3	19.5	Net Cash	6.7
2011f	123.7	28.3	12.8	10.0	6.3	4.0	1.1	18.8	Net Cash	8.2
2012f	134.9	31.5	14.3	11.2	5.7	3.8	1.0	18.9	Net Cash	9.2

*Valuations based on estimated fair value of RM0.81/share*

<b>Issued capital (m shares)</b>	221.0 (RM0.50 par)	<b>Market capitalisation (RMm)</b>	179.0
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- Tambun Indah Land Berhad (TIL) is primarily a small cap developer based in Mainland Penang Seberang Perai (SP). The company was the first that introduces the gated & guarded concept and landed strata scheme property in SP. TIL is reputed to deliver ahead of schedule, and to-date, it has sold more than 2,800 residential units with total GDV of more than RM800m. As most of its properties are priced at RM280k – 450k, TIL has been able to capture many first time home buyers from the Penang Island, as properties are expensive on the island. According to management, as at 1H2010, 25% of their buyers come from Penang Island, vs only 17% in 2009. In addition, according to a survey by Vital Factor Consulting, TIL accounts for 9.7% of the residential property market and 0.4% of the commercial property market in SP in 2009.
- Looking ahead, TIL will have six on-going and new projects that will be launched progressively in 2011, with a combined GDV of RM294.5m: (i) Dahlia Park – GDV RM42.1; (ii) Impian Residence – GDV RM40.8m; (iii) Pearl Villas Phase 1 – GDV RM60.6m; (iv) Pearl Villas Phase 2 – GDV RM59.6m; (v) Tanjung Heights – GDV RM52.2m; and (vi) BM Residence – GDV RM39.3m. TIL currently has an unbilled sales of about RM130m, which will underpin the company's earnings for the next one year.
- TIL has been enjoying attractive profit margins over the past years. The continued price increase in properties have led gross margin to expand from 27.5% in FY07 to 35.2% in 1H2010. Management also attributed this to their strategic properties design and concept, quick landbank turnaround, good relationship with contractors, as well as early delivery of their projects. Note that, although TIL does not have its own construction arm, it has 4-5 contractors which have a working relationship of about 15 years. As property prices are expected to continue to appreciate gradually in 2011, coupled with its net cash position, which means zero interest expense, we believe gross margin is likely to continue hover around 30-35% going forward.
- TIL has a remaining landbank of 650.22 acres, which will last until 2016 for property development. We think the company is likely to utilise part of its IPO proceeds to hunt for landbank, which we think the targeted areas will be in SP as well as Klang Valley. At the offer price of RM0.70, the IPO will raise RM22.4m gross proceeds (see Chart 1 for IPO proceeds utilisation), of which more than half will be used for working capital. Post IPO, TIL will still be in a net cash position, based on proforma balance sheet.

### LISTING DETAILS

**Listing Sought** : Bursa Malaysia  
Main Market

**Listing Date** : 18 Jan 2011

**Public Issue** : 32m new shares including:  
- 11.05m to Malaysian public  
- 11.05m to directors & employees  
- 9.90m to identified investors

### MAJOR SHAREHOLDERS

Ir Teh K.S. .... 42.6%  
Tsai Family.....10.4%  
Dato Hong.....9.0%

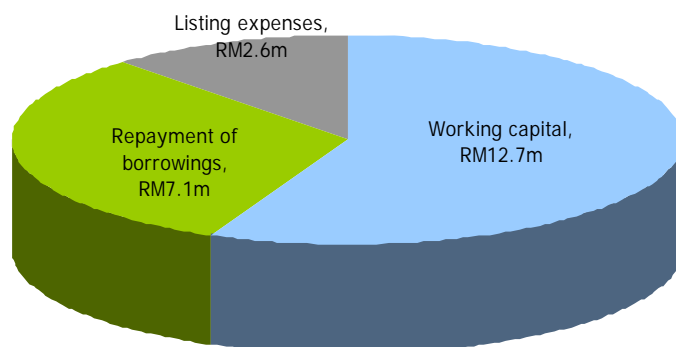
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- ◆ TIL was founded by Ir. Teh Kiak Seng, who is the Managing Director of the company. Ir. Teh has more than 30 years of experience in the housing industry. He started up as an engineer in JB, and is mainly involved in the design and completion of factories. Subsequently, he started his own civil and structural engineering consultancy firm in Penang, and later ventured into property development. Ir. Teh is currently the member of the Institute of Engineers, Malaysia and a Registered Professional Engineer with the Board of Engineers Malaysia, as well as the Honorary Secretary of Real Estate and Housing Developers' Association (REHDA) Penang. Ms Teh Theng Theng, who is the sister of Ir. Teh, is the Executive Director of TIL. She is mainly involved in the overall administration, financial control, corporate planning and business development. She has 19 years of experience in accounting for the property industry.
- ◆ We expect TIL's net profit to grow by 10% in FY11 and 11% in FY12, mainly underpinned by the property projects in the pipeline (from 2011-2016), which is worth a GDV of RM1bn. Dividend yield of 7-8% is one of the highest in the property sector. We value TIL at a fair value of RM0.81, based on a 30% discount to RNAV.

**Table 2: Property market statistics for Penang state**

	2008	Penang	2009	Seberang Perai (mainland Penang)		
	Yoy growth	2009	Yoy growth	2008	2009	2009
				Yoy growth	Yoy growth	
Value of residential property transactions	19.7%	0.03%	RM3.7bn	5.3%	9.3%	RM1.0bn
No. of residential property transactions	11.4%	0.9%	16,436 units	5.9%	0.2%	6,623 units

Source: Vital Factor Consulting

**Chart 1: Utilisation of IPO proceeds**


Source: Company

**Table 3: Landbank and GDV breakdown**

Location	Total area (acres)	Developed (acres)	On-going (acres)	Future Bought (acres)	Future Option (acres)
Seberang Perai Selatan	386.34	132.62	37.04	114.86	101.82
Seberang Perai Tengah	100.45	53.96	27.29	19.2	0
Seberang Perai Utara	35.79	23.2	2.73	9.86	0
Daerah Timur Laut	2.3	2.3	0	0	0
<b>Total</b>	<b>524.88</b>	<b>212.08</b>	<b>67.06</b>	<b>143.92</b>	<b>101.82</b>
<b>GDV (RM mil)</b>	<b>1,822.25</b>	<b>565.35</b>	<b>239.73</b>	<b>650.22</b>	<b>366.95</b>

Source: Company

**Chart 2: Utilisation of IPO proceeds**

New projects	Total GDV (RM mil)	Targeted commencement and completion					
		2010	2011	2012	2013	2014	2015
Dahlia Park	42.09						
Impian Residence	40.82						
<u>Pearl Garden</u>							
- Pearl Villas Phase 1	60.60						
- Pearl Villas Phase 2	59.55						
- Pearl Residence 1	188.36						
- Pearl Residence 2	107.02						
- Pearl Residence 3	366.95						
Capri Park	36.07						
Tanjung Heights	52.16						
BM Residence	39.25						
Taman Bukit Residence	24.30						
<b>Total GDV</b>	<b>1,017.17</b>						

Source: Company

**Table 4: RNAV estimate for TIL**

New projects	Total GDV (RM mil)	Years of development	Equity stake	NPV @ 12%
Dahlia Park	42.09	4	100%	7.01
Impian Residence	40.82	3	100%	0.43
<u>Pearl Garden</u>				
- Pearl Villas Phase 1	60.60	2	100%	13.94
- Pearl Villas Phase 2	59.55	3	100%	0.34
- Pearl Residence 1	188.36	3	100%	24.76
- Pearl Residence 2	107.02	3	100%	0.35
- Pearl Residence 3	366.95	3	100%	36.44
Capri Park	36.07	3	100%	0.07
Tanjung Heights	52.16	3	100%	10.90
BM Residence	39.25	3	100%	0.28
Taman Bukit Residence	24.30	3	100%	3.50
<b>Total</b>				<b>98.02</b>
Unbilled sales				29.92
Shareholders' fund				127.34
Total RNAV				255.28
Shares base (mil)				221.00
RNAV per share (RM)				1.16
Discount				30%
Fair value per share				0.81

Source: Company, RHBRI

**Table 5: Peers' valuations comparison**

Company	Share price (RM)	Market cap (RM mil)	CY11 PE (x)	P/NTA (x)	Net margin (%) *	FY Dividend yield (%)	Net gearing (x) *
Ivory	1.10	204.6	5.6	1.13	14.2%	1.8%	0.42
Hunza Properties	1.68	326.6	6.9	0.78	20.5%	3.3%	0.05
E&O	1.29	1,087.6	15.4	0.95	20.1%	1.6%	0.41
Asas Dunia	0.93	178.2	15.5	0.49	26.3%	1.7% *	0.07
Wing Tai Holdings	1.87	607.1	10.7	0.75	15.0%	3.2%	0.05
Tambun Indah	0.70	154.7	5.5	1.09	23.7%	8.2%	Net cash

*Closing price as of 4<sup>th</sup> Jan 2011*

*\* Based on historical*

*Source: Bloomberg, Company, RHBRI*

**Table 6: Earnings forecast**

FYE Dec					
Profit & loss (RM mil)	2008	2009	2010f	2011f	2012f
Revenue	126.0	100.9	111.8	123.7	134.9
Gross Profit	37.8	32.3	36.5	40.3	44.4
EBIT	34.5	30.6	35.4	39.0	43.5
Interest income	0.0	0.0	0.0	0.0	0.0
Finance costs	(0.1)	(0.6)	(0.6)	(0.7)	(0.9)
PBT	34.5	30.0	34.8	38.3	42.6
Exceptional item	0.0	0.0	0.0	0.0	0.0
Tax + minority interest	(11.0)	(6.2)	(9.1)	(10.0)	(11.1)
Normalised net profit	23.5	23.9	25.8	28.3	31.5
Normalised EPS	10.6	10.8	11.7	12.8	14.3
Gross DPS	0.0	0.0	4.7	5.8	6.4
Dividend payout	0.0	0.0	40.0	45.0	45.0

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**Trading Buy** = Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 15% or more over a period of three months, but fundamentals are not strong enough to warrant an Outperform call. It is generally for investors who are willing to take on higher risks.

**Market Perform** = The stock return is expected to be in line with the FBM KLCI benchmark (+/- five percentage points) over the next 6-12 months.

**Underperform** = The stock return is expected to underperform the FBM KLCI benchmark by more than five percentage points over the next 6-12 months.

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**Overweight** = Industry expected to outperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

**Neutral** = Industry expected to perform in line with the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

**Underweight** = Industry expected to underperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

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