

## Tambun Indah Land (TILB MK)

**Buy** (Maintained)

Property - Real Estate

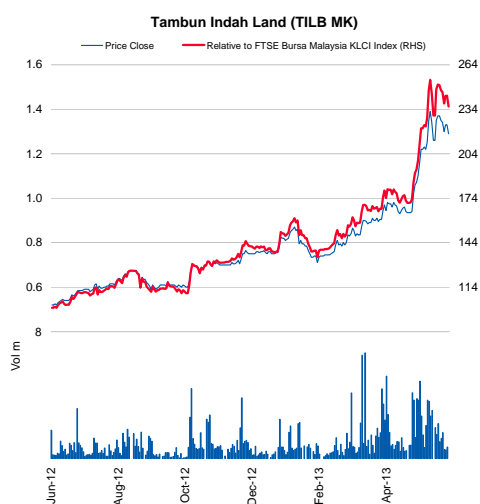
Target Price: MYR1.55

Market Cap: USD132m

Price: MYR1.29

### The PSB Accident Will Not Change The Prospects

Macro	◆◆◆
Risks	◆◆
Growth	◆◆◆
Value	◆◆◆



Source: Bloomberg

Avg Turnover (MYR/USD)	1.93m/0.63m
Cons. Upside (%)	20.2
Upside (%)	20.2
52-wk Price low/high (MYR)	0.52 - 1.39
Free float (%)	53.0

Shareholders (%)	
Ir. Teh Kiak Seng	47.0

Shariah compliant

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A section of the ramp connecting the PSB to the Tun Dr Lim Chong Eu Expressway has collapsed yesterday. We expect possible delay in the opening of the PSB. Nonetheless, the accident does not change our positive view on the prospects of Penang mainland, as the PSB will ultimately be opened in 6-12 months, in a worst case scenario. Possible knee-jerk reaction in share price will be a buying opportunity.

- ◆ **Penang Second Bridge (PSB) accident.** A section of the Batu Maung interchange (in between two concrete beams) connecting the PSB to the Tun Dr Lim Chong Eu Expressway (on the Penang island), which is currently under construction, has collapsed at about 7pm yesterday. The number of death and injuries has yet to be confirmed by the authority.
- ◆ **Possible delay for the opening of PSB.** To recall, the PSB is scheduled to be opened to traffic in Sept this year. Although the bridge over the water, which has largely been completed, is unaffected, we believe a complete technical investigation and audit will be called to ensure the safety of the bridge. Therefore, the opening of the PSB could be delayed by weeks or months.
- ◆ **Fundamentals and prospects intact.** The PSB will nevertheless be completed and opened in 6-12 months, in a worst case we believe. Despite the delay, fundamentals and growth prospects of the Penang mainland remain intact. The existing established industrial parks will still create a natural demand for housing, the state government will continue to spearhead the Batu Kawan industrial park, and plans for a Premium Outlet and investments by industrial players will remain unchanged. Developers will also continue to look for landbank on the mainland, which has been identified as the next growth area. We emphasize that the buyers for TILB's products are largely occupiers of properties, and therefore sales will unlikely be affected.
- ◆ **Knee-jerk reaction a buying opportunity.** The accident will nonetheless dent investors' sentiment somewhat. Apart from TILB, other Penang mainland-related stocks such as Global Oriental, Wing Tai are likely to see some knee-jerk reaction in share price. We view this as a buying opportunity for TILB given the solid fundamentals of the company. We maintain our Buy rating for the stock with an unchanged fair value of MYR1.55, based on a 15% discount to RNAV.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13F	Dec-14F	Dec-15F
Total turnover (MYRm)	192	297	376	475	579
Recurring net profit (MYRm)	23.4	40.8	50.2	62.6	76.4
Recurring net profit growth (%)	(7.3)	74.6	23.1	24.7	22.0
EPS (MYR)	0.15	0.15	0.16	0.20	0.25
DPS (MYR)	0.05	0.05	0.06	0.07	0.09
Dividend Yield (%)	4.1	3.6	4.4	5.5	6.8
Return on average assets (%)	8.7	10.7	10.2	10.6	10.9
Return on average equity (%)	17.0	21.6	21.0	22.8	23.9
P/E (x)	8.70	8.41	7.98	6.40	5.25
P/B (x)	1.84	1.80	1.58	1.36	1.16
Net debt to equity (%)	20.6	(4.6)	(3.4)	(5.6)	(10.1)

Source: Company data, RHB Estimates

Figure 1 Accident at PSB



Source: The Star

Figure 2 A section of the ramp has collapsed



Source: The Malaysian Insider

Figure 3: RNAV for TILB

New projects	Total GDV (MYR mil)	Land size (acres)	Equity stake	NPV @ 9.5%
<u>Ongoing projects</u>				
Dahlia Park	46.3		100%	7.3
Tanjung Heights	57.3		100%	9.0
Pearl Villas	144.5		70%	15.2
Juru Industrial Park	37.1		100%	5.8
Capri Park	51.1		100%	8.0
Pearl Square	73.1		60%	7.7
Pearl Indah	176.0		60%	17.6
Carissa Villa	54.2	4.4	100%	8.5
BM Residence	56.4	5.2	100%	9.8
Pearl Residence 1	212.5	39.7	70%	25.0
Pearl Impian	84.4	15.6	60%	8.8
Straits Garden	254.2	4.2	100%	38.2
<u>Remaining projects</u>				
Taman Bukit Residence	55.8	8.0	100%	8.8
Camellia Park	40.0	3.3	100%	6.0
Seri Permai	18.6	3.9	50%	1.5
Pearl Avenue	142.0	17.6	60%	17.1
Pearl Residence 2	201.0	44.3	70%	25.9
Pearl Residence 3	420.0	101.8	60%	46.3
Other phases - Pearl City	1,250.0	380.7	60%	126.9
<b>Total</b>				<b>393.53</b>
Shareholders' fund				223.22
Warrants proceed				26.52
Total RNAV				643.26
Shares base incl. warrants (mil)				353.60
FD RNAV per share (MYR)				1.82
Discount				15%
Fair value per share				1.55

Source: Company, RHB estimates

## Financial Exhibits

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Total turnover	192	297	376	475	579
Cost of sales	(131)	(193)	(248)	(314)	(383)
<b>Gross profit</b>	<b>61</b>	<b>104</b>	<b>129</b>	<b>161</b>	<b>196</b>
Gen & admin expenses	(15)	(24)	(31)	(39)	(48)
Other operating costs	1	2	2	2	2
<b>Operating profit</b>	<b>47</b>	<b>81</b>	<b>99</b>	<b>123</b>	<b>150</b>
Operating EBITDA	47	81	100	124	151
Depreciation of fixed assets	(0)	(1)	(1)	(1)	(1)
<b>Operating EBIT</b>	<b>47</b>	<b>81</b>	<b>99</b>	<b>123</b>	<b>150</b>
Net income from investments	(0)	1	-	-	-
Interest income	1	-	-	-	-
Interest expense	(1)	(2)	(4)	(4)	(4)
<b>Pre-tax profit</b>	<b>47</b>	<b>79</b>	<b>96</b>	<b>119</b>	<b>145</b>
Taxation	(13)	(22)	(26)	(33)	(40)
Minority interests	(10)	(16)	(19)	(24)	(29)
<b>Profit after tax &amp; minorities</b>	<b>23</b>	<b>41</b>	<b>50</b>	<b>63</b>	<b>76</b>
<b>Reported net profit</b>	<b>23</b>	<b>41</b>	<b>50</b>	<b>63</b>	<b>76</b>
<b>Recurring net profit</b>	<b>23</b>	<b>41</b>	<b>50</b>	<b>63</b>	<b>76</b>

Source: Company data, RHB Estimates

<b>Cash flow (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
<b>Operating profit</b>	<b>47</b>	<b>81</b>	<b>99</b>	<b>123</b>	<b>150</b>
<b>Depreciation &amp; amortisation</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Change in working capital</b>	<b>(61)</b>	<b>24</b>	<b>(23)</b>	<b>(34)</b>	<b>(36)</b>
Other operating cash flow	(18)	3	(406)	(5)	(0)
<b>Operating cash flow</b>	<b>(32)</b>	<b>108</b>	<b>(329)</b>	<b>85</b>	<b>114</b>
Interest received	1	-	-	-	-
Interest paid	(1)	(2)	(4)	(4)	(4)
Tax paid	(13)	(22)	(26)	(33)	(40)
<b>Cash flow from operations</b>	<b>(45)</b>	<b>84</b>	<b>(359)</b>	<b>48</b>	<b>70</b>
Capex	(34)	(45)	(30)	(20)	(20)
Other investing cash flow	28	(8)	-	-	-
<b>Cash flow from investing activities</b>	<b>(6)</b>	<b>(53)</b>	<b>(30)</b>	<b>(20)</b>	<b>(20)</b>
Dividends paid	-	(12)	(14)	(18)	(22)
Proceeds from issue of shares	24	42	-	-	-
Increase in debt	55	6	-	-	-
Other financing cash flow	(16)	(10)	421	(0)	(3)
<b>Cash flow from financing activities</b>	<b>63</b>	<b>26</b>	<b>407</b>	<b>(18)</b>	<b>(25)</b>
Cash at beginning of period	27	39	96	114	125
<b>Total cash generated</b>	<b>12</b>	<b>57</b>	<b>18</b>	<b>10</b>	<b>25</b>
<b>Implied cash at end of period</b>	<b>39</b>	<b>96</b>	<b>114</b>	<b>125</b>	<b>150</b>

Source: Company data, RHB Estimates

## Financial Exhibits

<b>Balance Sheet (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Total cash and equivalents	39	96	114	125	150
Inventories	116	129	164	207	253
Accounts receivable	65	71	89	113	138
Other current assets	1	1	1	1	1
<b>Total current assets</b>	<b>222</b>	<b>297</b>	<b>369</b>	<b>446</b>	<b>542</b>
Total investments	2	5	5	5	5
Tangible fixed assets	96	140	169	188	207
Intangible assets	2	-	-	-	-
Total other assets	1	1	1	1	1
Total non-current assets	100	146	176	195	214
<b>Total assets</b>	<b>322</b>	<b>444</b>	<b>545</b>	<b>641</b>	<b>755</b>
Short-term debt	6	7	17	17	17
Accounts payable	50	93	124	156	190
Other current liabilities	4	3	3	3	3
<b>Total current liabilities</b>	<b>60</b>	<b>103</b>	<b>144</b>	<b>176</b>	<b>211</b>
Total long-term debt	72	77	87	87	87
Other liabilities	3	2	2	2	2
<b>Total non-current liabilities</b>	<b>75</b>	<b>79</b>	<b>89</b>	<b>89</b>	<b>89</b>
<b>Total liabilities</b>	<b>135</b>	<b>182</b>	<b>233</b>	<b>265</b>	<b>299</b>
Share capital	111	155	155	155	155
Retained earnings reserve	38	60	91	131	182
Other reserves	6	8	8	8	8
<b>Shareholders' equity</b>	<b>155</b>	<b>223</b>	<b>255</b>	<b>294</b>	<b>345</b>
Minority interests	32	39	58	82	111
<b>Total equity</b>	<b>187</b>	<b>262</b>	<b>312</b>	<b>376</b>	<b>456</b>
<b>Total liabilities &amp; equity</b>	<b>322</b>	<b>444</b>	<b>545</b>	<b>641</b>	<b>755</b>

Source: Company data, RHB Estimates

<b>Key Ratios (MYR)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Revenue growth (%)	384.4	54.8	26.8	26.1	22.0
Operating profit growth (%)	65.0	72.6	23.1	24.2	21.2
Net profit growth (%)	(7.3)	74.6	23.1	24.7	22.0
EPS growth (%)	(44.5)	3.6	5.3	24.7	22.0
Bv per share growth (%)	(44.5)	2.2	14.0	15.6	17.4
Operating margin (%)	24.4	27.2	26.4	26.0	25.8
Net profit margin (%)	12.2	13.7	13.3	13.2	13.2
Return on average assets (%)	8.7	10.7	10.2	10.6	10.9
Return on average equity (%)	17.0	21.6	21.0	22.8	23.9
Net debt to equity (%)	20.6	(4.6)	(3.4)	(5.6)	(10.1)
DPS	0.05	0.05	0.06	0.07	0.09
Recurrent cash flow per share	(0.28)	0.32	(1.15)	0.16	0.23

Source: Company data, RHB Estimates

## SWOT Analysis

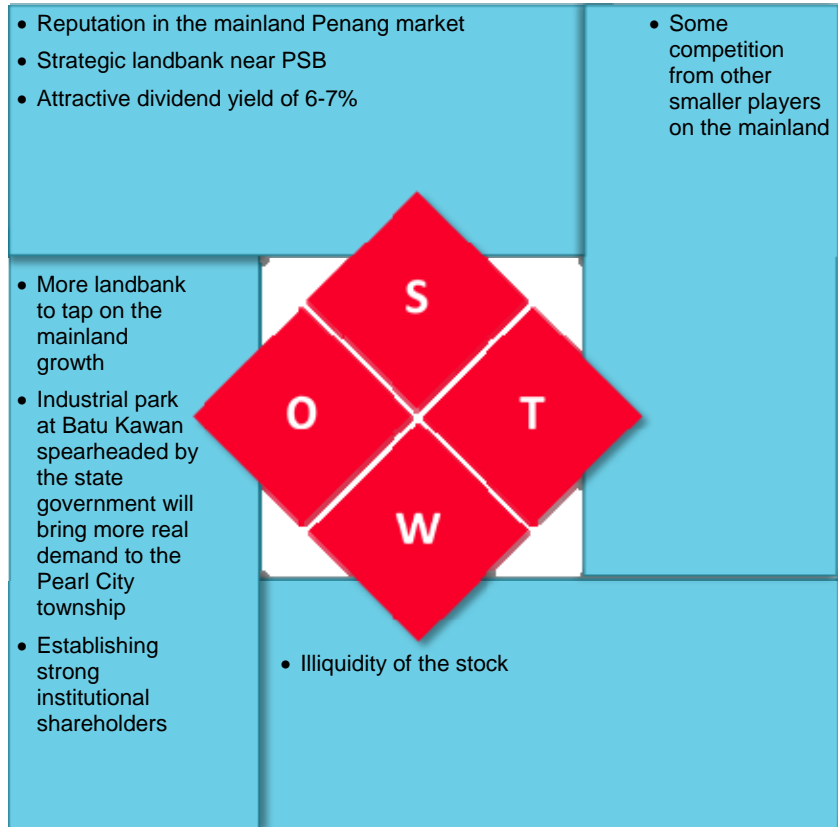
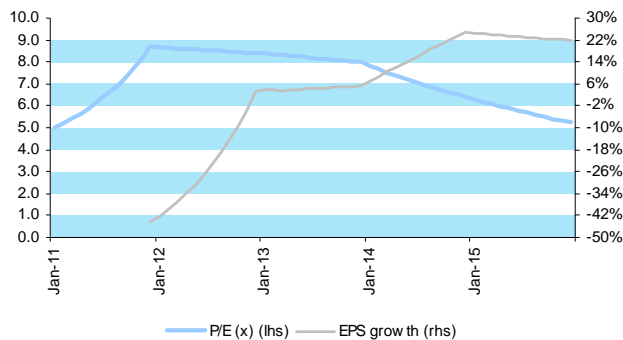


Figure 6

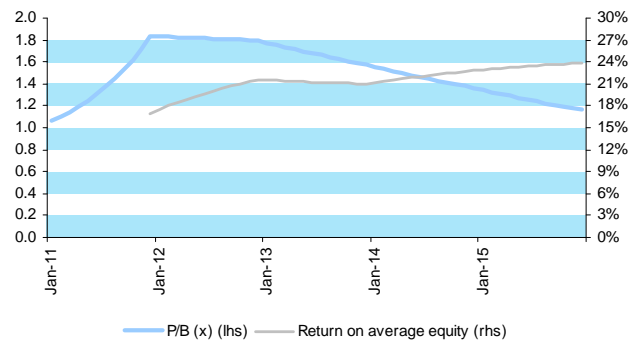
P/E (x) vs EPS growth



Source: Company data, RHB Estimates

Figure 7

P/BV (x) vs ROAE

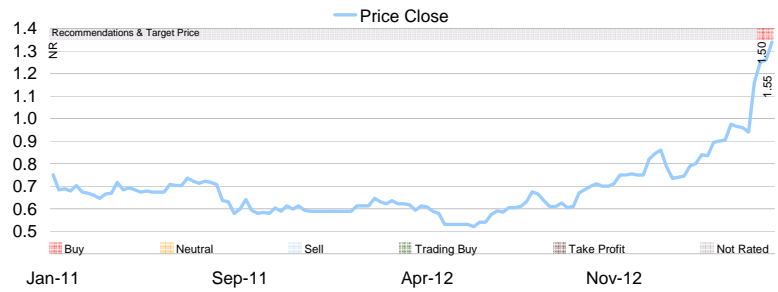


Source: Company data, RHB Estimates

## Company Profile

Tambun Indah Land Bhd is a developer based in Penang mainland. Its flagship township Pearl City is located at Simpang Empat, 15-min away from the PSB.

## Recommendation Chart



Source: RHB Estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-05-20	Buy	1.55	1.35
2013-05-13	Buy	1.50	1.22

Source : RHB Estimates, Bloomberg

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**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

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

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