

# Tambun Indah Land (TILB MK)

Property - Real Estate

Market Cap: USD240m

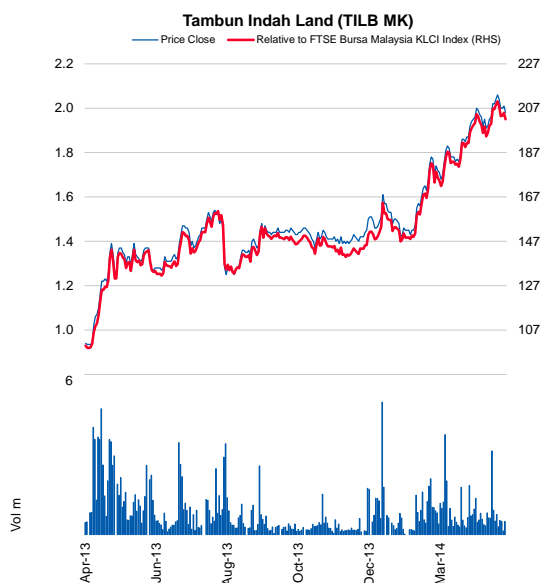
**Buy** (Maintained)

Target Price: MYR2.50

Price: MYR1.98

## Opportune Time To Enter

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



Source: Bloomberg

Avg Turnover (MYR/USD)	1.50m/0.46m
Cons. Upside (%)	-21.7
Upside (%)	26.3
52-wk Price low/high (MYR)	0.94 - 2.06
Free float (%)	50

Shareholders (%)	
Ir. Teh Kiak Seng	38.0

**Shariah compliant**

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**1Q14 results beat our expectation on an annualised basis. New property sales of MYR125m in 1Q are on track to meet management's MYR500m target for the year. The recent share price correction represents a good opportunity to enter into this quality property stock. Tambun Indah's track record is proven, and it is the primary beneficiary of all the catalytic investments in Batu Kawan. Maintain BUY with MYR2.50 FV.**

- ◆ **Above expectations.** Tambun Indah Land (Tambun Indah)'s 1Q14 results beat our expectation on an annualised basis. This is the first full quarter of consolidated earnings after the company successfully acquired the minority stake in its flagship township Pearl City in end-Nov 2013. The township contributed about 67% (compared with 62% in FY13) to the total property development turnover during the quarter.
- ◆ **MYR124.7m sales in 1Q.** Despite the impact of cooling measures, Tambun Indah recorded new property sales of MYR124.7m in 1Q14, up from MYR51m in 4Q13. The annualised number is on track to meet management's sales target of MYR500m. The key contributors were Pearl Residence (MYR38.5m), which saw some flow-through sales from 4Q13, Camellia Park (MYR34.9m), which was launched in 1Q14, as well as Pearl Avenue (MYR9.6m). We are upbeat that the average take-up rate for all the projects achieved another record high at 84.9% from 83.5% in 4Q13. Going forward, we believe 2Q sales will continue to be encouraging due to the strong bookings during the Chinese New Year period. 2Q will also see the launch of Rain Tree Park.
- ◆ **Forecasts.** To be conservative, we keep our FY14-15 earnings forecasts unchanged. Unbilled sales inched up to MYR470m from MYR456m in the previous quarter.
- ◆ **Reiterate BUY.** The recent share price correction represents a good opportunity to enter into this quality property stock with an attractive thematic angle, undemanding valuations and promising growth prospects (27% FY14 EPS growth). Tambun Indah is the only pure Penang mainland play. All the investments and upcoming news flow on Batu Kawan, including the award of tender for the golf course and the participation of a Singapore-government linked company, will be the key catalysts for property demand and pricing at Seberang Perai Selatan, and Tambun Indah will be the primary beneficiary. We maintain our BUY rating with an unchanged FV at MYR2.50, on par with RNAV.

Forecasts and Valuations	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total turnover (MYRm)	192	297	376	466	580
Reported net profit (MYRm)	23	41	65	92	116
Recurring net profit (MYRm)	23	41	65	92	116
Recurring net profit growth (%)	(7.3)	74.6	59.2	41.5	26.2
Recurring EPS (MYR)	0.11	0.13	0.16	0.23	0.28
DPS (MYR)	0.05	0.05	0.06	0.08	0.10
Recurring P/E (x)	18.7	15.1	12.0	8.6	7.0
P/B (x)	2.82	2.76	2.52	2.12	1.78
Dividend Yield (%)	2.7	2.4	3.0	4.2	5.2
Return on average equity (%)	17.0	21.6	24.4	26.9	28.1
Return on average assets (%)	8.7	10.7	13.8	16.9	17.8
Net debt to equity (%)	20.6	(4.6)	(8.9)	(13.7)	(19.4)
Our vs consensus EPS (adjusted) (%)				(4.1)	(5.5)

Source: Company data, RHB estimates

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Figure 1: Tambun Indah Land's quarterly results table

FYE Dec (MYRm)	1Q13	4Q13	1Q14	q-o-q (%)	y-o-y (%)	Comments
<b>Turnover</b>	<b>78.3</b>	<b>118.4</b>	<b>112.0</b>	<b>(5.4)</b>	<b>43.0</b>	1Q14 numbers saw the full consolidation of the minority stake in Pearl City acquired in end 2013.
EBIT	24.3	35.3	35.7	1.1	47.1	
EBIT margin (%)	31.0	29.8	31.9			
Net interest	(0.7)	(0.2)	(1.3)	489.4	94.1	
<b>Pretax profit</b>	<b>24.0</b>	<b>36.3</b>	<b>35.3</b>	<b>(2.7)</b>	<b>47.2</b>	
Pretax margin (%)	30.6	30.6	31.5			
Taxation	(7.1)	(8.0)	(9.9)	23.1	39.8	
Tax rate (%)	29.5	22.1	28.0			
Minority interest	(5.2)	(6.2)	(0.1)	(98.1)	(97.7)	
<b>Net profit</b>	<b>11.7</b>	<b>22.1</b>	<b>25.3</b>	<b>14.6</b>	<b>115.7</b>	Above expectations.
Net margin (%)	15.0	18.6	22.6			
EPS (sen)	3.8	6.1	6.4			
Gross DPS (sen)	0.0	4.6	0.0			
NTA/share (MYR)	0.8	0.8	0.9			

Source: Company data, RHB estimates

Figure 2: Tambun Indah Land's RNAV

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 9.5%
<u>Ongoing projects</u>				
BM Residence	57.4		100%	11.0
Straits Garden	237.8		100%	45.7
Pearl Residence	223.5		100%	41.1
Pearl Impian	90.0		100%	17.3
Pearl Avenue (Ph. 1)	82.6		100%	21.6
<u>Remaining projects</u>				
Taman Bukit Residence	63.7	8.0	100%	11.7
Camellia Park	50.0	3.3	100%	8.4
Permai Residence	24.2	3.9	50%	2.1
Pearl Avenue (Ph. 2)	34.9	4.1	100%	8.7
Pearl Harmoni	122.4	21.6	100%	28.6
Rain Tree Park 1	135.8	25.1	100%	27.2
Rain Tree Park 2	173.4	30.1	100%	41.6
Pearl Tropika	86.5	20.3	100%	16.6
Pearl City - other phases	2,349.1	385.1	100%	440.7
<b>Total</b>				<b>722.39</b>
Shareholders' fund				310.07
Warrants proceed				26.52
Total RNAV				1,058.98
Shares base incl. warrants & placement (m)				423.60
FD RNAV per share (MYR)				2.50
Discount				0%
Fair value per share				2.50

Source: Company data, RHB estimates

## Financial Exhibits

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
Total turnover	192	297	376	466	580
Cost of sales	(131)	(193)	(240)	(305)	(381)
<b>Gross profit</b>	<b>61</b>	<b>104</b>	<b>137</b>	<b>161</b>	<b>198</b>
Gen & admin expenses	(15)	(24)	(21)	(31)	(36)
Other operating costs	1	2	3	3	3
<b>Operating profit</b>	<b>47</b>	<b>81</b>	<b>118</b>	<b>133</b>	<b>166</b>
Operating EBITDA	47	81	119	134	167
Depreciation of fixed assets	(0)	(1)	(1)	(1)	(1)
<b>Operating EBIT</b>	<b>47</b>	<b>81</b>	<b>118</b>	<b>133</b>	<b>166</b>
Net income from investments	(0)	1	2	-	-
Interest income	1	-	-	-	-
Interest expense	(1)	(2)	(3)	(4)	(4)
<b>Pre-tax profit</b>	<b>47</b>	<b>79</b>	<b>118</b>	<b>129</b>	<b>162</b>
Taxation	(13)	(22)	(30)	(36)	(45)
Minority interests	(10)	(16)	(23)	(2)	(1)
<b>Profit after tax &amp; minorities</b>	<b>23</b>	<b>41</b>	<b>65</b>	<b>92</b>	<b>116</b>
<b>Reported net profit</b>	<b>23</b>	<b>41</b>	<b>65</b>	<b>92</b>	<b>116</b>
<b>Recurring net profit</b>	<b>23</b>	<b>41</b>	<b>65</b>	<b>92</b>	<b>116</b>

Source: Company data, RHB estimates

<b>Cash flow (MYRm)</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13</b>	<b>Dec-14F</b>	<b>Dec-15F</b>
<b>Operating profit</b>	<b>47</b>	<b>81</b>	<b>118</b>	<b>133</b>	<b>166</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>(24)</b>	<b>(21)</b>	<b>(27)</b>
Other operating cash flow	(18)	3	(4)	(18)	(10)
<b>Operating cash flow</b>	<b>(32)</b>	<b>108</b>	<b>91</b>	<b>95</b>	<b>130</b>
Interest received	1	-	-	-	-
Interest paid	(1)	(2)	(3)	(4)	(4)
Tax paid	(13)	(22)	(30)	(36)	(45)
<b>Cash flow from operations</b>	<b>(45)</b>	<b>84</b>	<b>58</b>	<b>55</b>	<b>82</b>
Capex	(34)	(45)	(7)	(20)	(20)
Other investing cash flow	28	(8)	(15)	-	-
<b>Cash flow from investing activities</b>	<b>(6)</b>	<b>(53)</b>	<b>(21)</b>	<b>(20)</b>	<b>(20)</b>
Dividends paid	-	(12)	(14)	(24)	(34)
Proceeds from issue of shares	24	42	46	-	-
Increase in debt	55	6	14	-	-
Other financing cash flow	(16)	(10)	(58)	12	10
<b>Cash flow from financing activities</b>	<b>63</b>	<b>26</b>	<b>(12)</b>	<b>(11)</b>	<b>(24)</b>
Cash at beginning of period	27	39	96	126	150
<b>Total cash generated</b>	<b>12</b>	<b>57</b>	<b>24</b>	<b>24</b>	<b>38</b>
Forex effects			6		
<b>Implied cash at end of period</b>	<b>39</b>	<b>96</b>	<b>126</b>	<b>150</b>	<b>188</b>

Source: Company data, RHB estimates

## Financial Exhibits

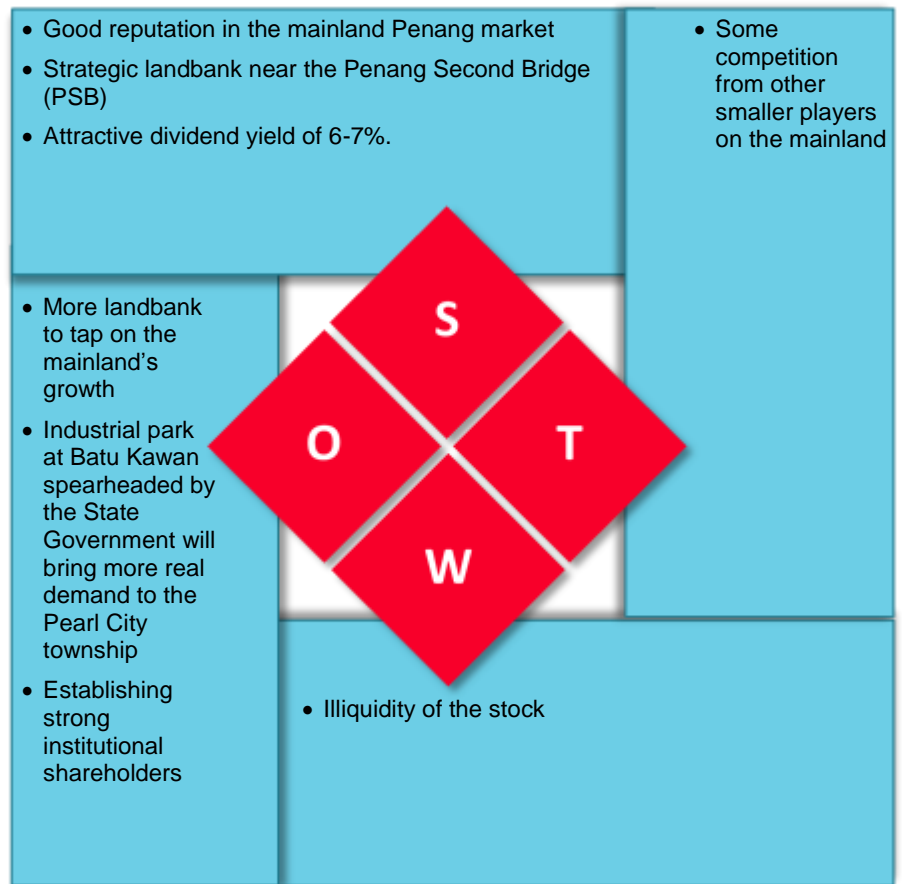
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	39	96	126	150	188
Inventories	116	129	125	155	193
Accounts receivable	65	71	87	107	133
Other current assets	1	1	2	2	2
<b>Total current assets</b>	<b>222</b>	<b>297</b>	<b>340</b>	<b>414</b>	<b>516</b>
Total investments	2	5	7	7	7
Tangible fixed assets	96	140	146	165	184
Intangible assets	2	-	-	-	-
Total other assets	1	1	4	4	4
Total non-current assets	100	146	157	176	195
<b>Total assets</b>	<b>322</b>	<b>444</b>	<b>497</b>	<b>591</b>	<b>711</b>
Short-term debt	6	7	25	25	25
Accounts payable	50	93	81	111	148
Other current liabilities	4	3	4	4	4
<b>Total current liabilities</b>	<b>60</b>	<b>103</b>	<b>110</b>	<b>139</b>	<b>176</b>
Total long-term debt	72	77	73	73	73
Other liabilities	3	2	0	0	0
<b>Total non-current liabilities</b>	<b>75</b>	<b>79</b>	<b>74</b>	<b>74</b>	<b>74</b>
<b>Total liabilities</b>	<b>135</b>	<b>182</b>	<b>183</b>	<b>213</b>	<b>250</b>
Share capital	111	155	197	200	205
Retained earnings reserve	38	60	48	108	185
Other reserves	6	8	65	65	65
<b>Shareholders' equity</b>	<b>155</b>	<b>223</b>	<b>310</b>	<b>373</b>	<b>455</b>
Minority interests	32	39	4	5	6
Other equity	-	-	(0)	-	0
<b>Total equity</b>	<b>187</b>	<b>262</b>	<b>314</b>	<b>378</b>	<b>461</b>
<b>Total liabilities &amp; equity</b>	<b>322</b>	<b>444</b>	<b>497</b>	<b>591</b>	<b>711</b>

Source: Company data, RHB estimates

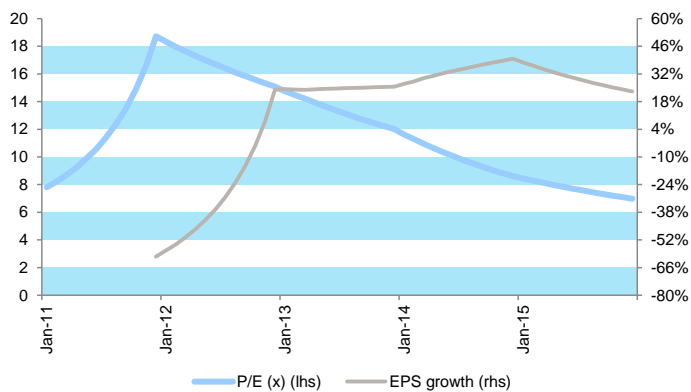
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	384.4	54.8	26.8	23.9	24.3
Operating profit growth (%)	65.0	72.6	46.6	12.5	24.6
Net profit growth (%)	(7.3)	74.6	59.2	41.5	26.2
EPS growth (%)	(60.4)	24.1	25.6	39.7	23.1
Bv per share growth (%)	(44.5)	2.2	9.5	18.6	19.1
Operating margin (%)	24.4	27.2	31.4	28.5	28.6
Net profit margin (%)	12.2	13.7	17.3	19.7	20.0
Return on average assets (%)	8.7	10.7	13.8	16.9	17.8
Return on average equity (%)	17.0	21.6	24.4	26.9	28.1
Net debt to equity (%)	20.6	(4.6)	(8.9)	(13.7)	(19.4)
DPS	0.05	0.05	0.06	0.08	0.10
Recurrent cash flow per share	(0.20)	0.27	0.15	0.14	0.20

Source: Company data, RHB estimates

## SWOT Analysis

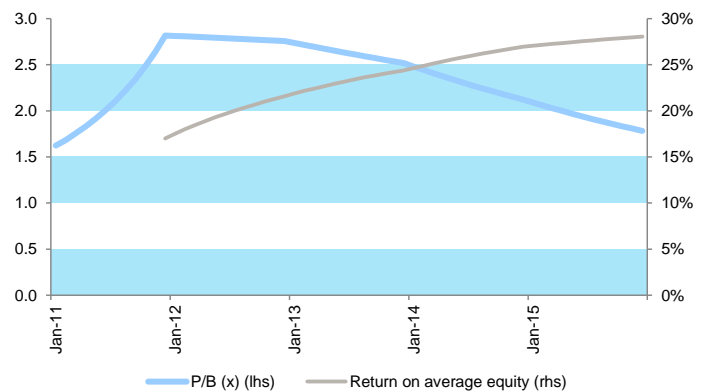


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

## Company Profile

Tambun Indah Land is a developer based in the Penang mainland. Its flagship township Pearl City is located at Simpang Empat, which is 15-minutes away from the Penang Second Bridge.

## Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2014-04-15	Buy	2.50	1.96
2014-02-27	Buy	2.20	1.72
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

Source: RHB estimates, Bloomberg

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