

Tambun Indah Land (TILB MK)

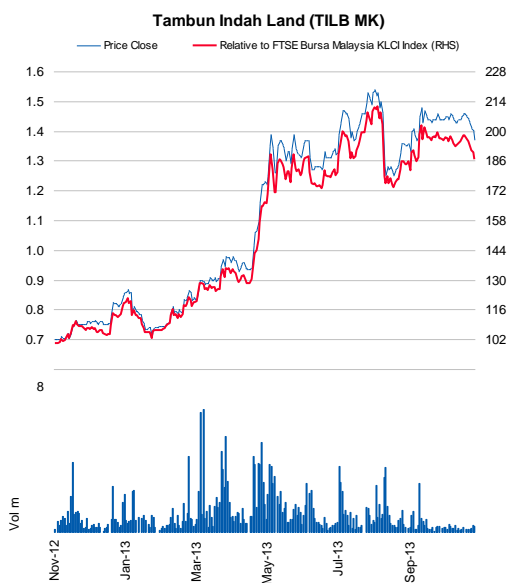
Property - Real Estate
Market Cap: USD144m

Buy (Maintained)

Target Price: MYR2.05
Price: MYR1.37

New Land To Expand Pearl City

Macro
Risks
Growth
Value



Source: Bloomberg

Avg Turnover (MYR/USD) 0.83m/0.25m
Cons. Upside (%) 13.1
Upside (%) 49.6
52-wk Price low/high (MYR) 0.70 - 1.54
Free float (%) 50

Shareholders (%)
Ir. Teh Kiak Seng 45.0

Shariah compliant

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We lift our FV for TILB to MYR2.05. The new 24.1-acre land adjacent to Pearl City which it purchased at MYR14 psf will not only sustain TILB's high profit margin, but also boost Pearl City's total GDV by another MYR120m-130m. The opening of the Penang Second Bridge, increasing job opportunities from foreign and local investments in Batu Kawan, and landbanking by big players remain key catalysts for the stock. BUY.

- ◆ **Expanding Pearl City's footprint by 24.1 acres.** Tambun Indah (TILB) is acquiring a 24.1-acre freehold land held for development purposes, which is adjacent to Pearl City, from BLS Mega S/B for a purchase consideration of MYR14.7m. The acquisition will be financed by internal funds and borrowings, and is expected to be completed by 1Q14.
- ◆ **Sustaining high profit margin.** We are positive on management's effort to continue widening TILB's presence on the Penang mainland. The purchase consideration translates into a land cost of MYR14 psf, which is lower than TILB's current blended average book cost of MYR18 psf for Pearl City. The price is also cheaper than the market price as the land parcel does not have access other than going through TILB's land. The company's typical high gross margin of 33-37% will therefore be sustainable. The new land will also boost Pearl City's GDV by MYR120m-130m to about MYR2.8bn.
- ◆ **Minimal impact from cooling measures; fundamentals still intact.** TILB only has 1-2% exposure to foreign purchasers. As buyers of Pearl City largely purchased the units for their own occupancy, the impact of the cooling measures announced in Budget 2014 is very minimal for TILB. Meanwhile, growth prospects on the mainland remain strong. The opening of the Penang Second Bridge in early 2014, growing job opportunities as a result of foreign and local investments, state-initiated catalytic projects in Batu Kawan, as well as landbanking by big players continue to be key catalysts for the stock.
- ◆ **Forecasts.** We make no changes to our forecast, as the new land will only be developed in the final few phases of Pearl City.
- ◆ **Valuations.** We raise our FV to MYR2.05 (from MYR2.00), based on an unchanged 15% discount to RNAV. The recent share price weakness provides a good opportunity to accumulate quality property stocks such as TILB. Maintain BUY.

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	54.9	90.3
Recurring net profit (MYRm)	25.2	23.4	40.8	54.9	90.3
Recurring net profit growth (%)	0.0	(7.3)	74.6	34.5	64.5
EPS (MYR)	0.27	0.11	0.13	0.16	0.23
DPS (MYR)	0.00	0.05	0.05	0.06	0.08
Dividend Yield (%)	0.0	3.9	3.4	4.2	5.9
Return on average assets (%)	0.0	8.7	10.7	11.7	16.1
Return on average equity (%)	0.0	17.0	21.6	23.4	31.0
P/E (x)	5.1	13.0	10.4	8.4	6.1
P/B (x)	1.08	1.95	1.91	1.86	1.62
Net debt to equity (%)	(3.1)	20.6	(4.6)	14.9	1.1

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	2,328.7	401.5	100%	411.2
Total				758.77
Shareholders' fund				214.72
Warrants proceed				26.52
Placement proceed (@ MYR1.32/share)				19.80
Total RNAV				1,019.81
Shares base incl. warrants & placement (m)				423.60
FD RNAV per share (MYR)				2.41
Discount				15%
Fair value per share				2.05

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)	(248)	(320)
Gross profit	12	61	104	129	169
Gen & admin expenses	(1)	(15)	(24)	(31)	(41)
Other operating costs	17	1	2	2	2
Operating profit	28	47	81	99	130
Operating EBITDA	28	47	81	100	131
Depreciation of fixed assets	(0)	(0)	(1)	(1)	(1)
Operating EBIT	28	47	81	99	130
Net income from investments	-	(0)	1	-	-
Interest income	0	1	-	-	-
Interest expense	-	(1)	(2)	(4)	(4)
Pre-tax profit	28	47	79	95	126
Taxation	(2)	(13)	(22)	(26)	(35)
Minority interests	(1)	(10)	(16)	(14)	(1)
Profit after tax & minorities	25	23	41	55	90
Reported net profit	25	23	41	55	90
Recurring net profit	25	23	41	55	90

Source: Company data, RHB estimates

Cash flow (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Operating profit	28	47	81	99	130
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	(328)	92
Interest received	0	1	-	-	-
Interest paid	-	(1)	(2)	(4)	(4)
Tax paid		(13)	(22)	(26)	(35)
Cash flow from operations	(10)	(45)	84	(359)	53
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)	(19)
Proceeds from issue of shares		24	42	-	-
Increase in debt	-	55	6	-	-
Other financing cash flow	(45)	(16)	(10)	373	20
Cash flow from financing activities	(45)	63	26	359	1
Cash at beginning of period	43	27	39	96	76
Total cash generated	(16)	12	57	(20)	34
Implied cash at end of period	27	39	96	76	110

Source: Company data, RHB estimates

Financial Exhibits

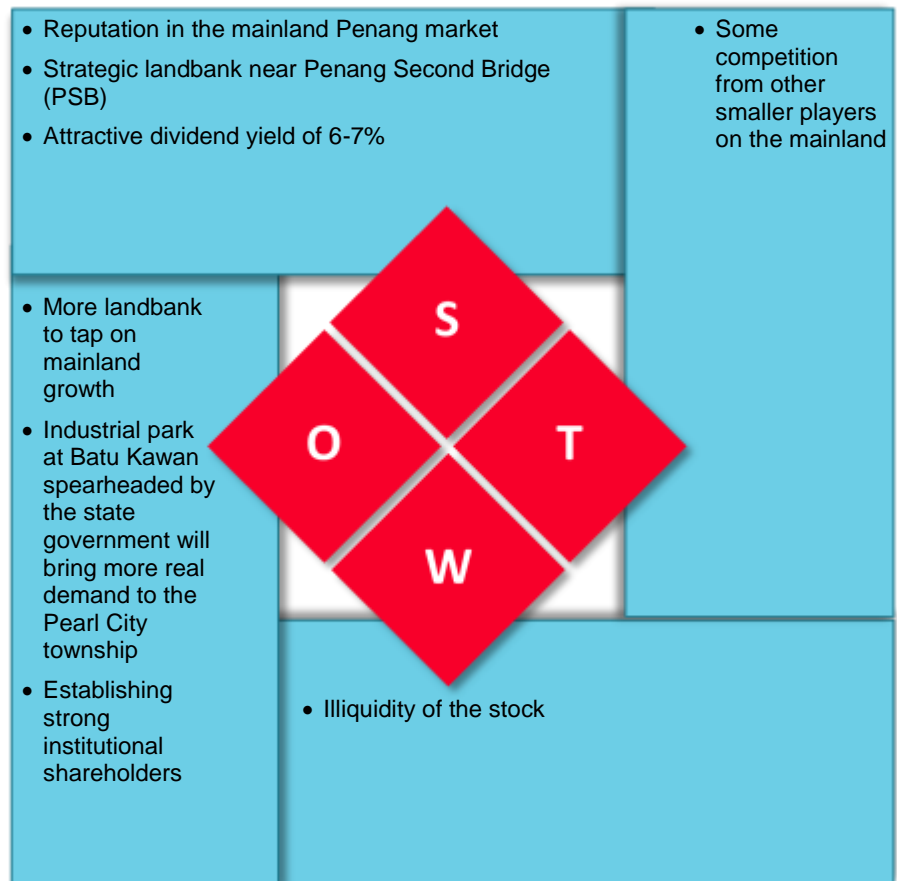
Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	27	39	96	76	110
Inventories	65	116	129	164	213
Accounts receivable	58	65	71	89	116
Other current assets	2	1	1	1	1
Total current assets	153	222	297	331	441
Total investments	-	2	5	5	5
Tangible fixed assets	62	96	140	159	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	497	626
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	15	74
Other reserves	-	6	8	64	64
Shareholders' equity	120	155	223	246	337
Minority interests	14	32	39	8	9
Other equity	-	-	-	0	-
Total equity	134	187	262	254	346
Total liabilities & equity	215	322	444	497	626

Source: Company data, RHB estimates

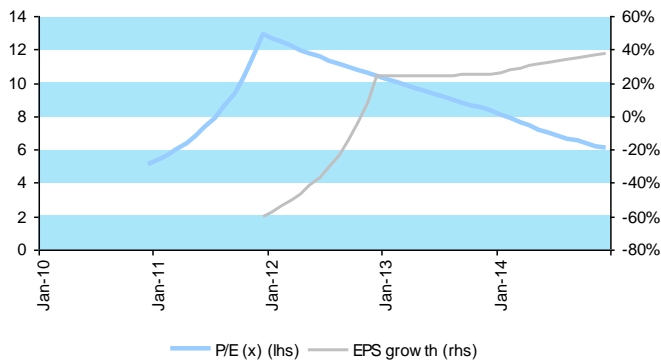
Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	0.0	384.4	54.8	26.8	30.0
Operating profit growth (%)	0.0	65.0	72.6	23.1	30.9
Net profit growth (%)	0.0	(7.3)	74.6	34.5	64.5
EPS growth (%)	0.0	(60.4)	24.1	24.9	37.9
Bv per share growth (%)	0.0	(44.5)	2.2	2.3	15.0
Operating margin (%)	71.5	24.4	27.2	26.4	26.6
Net profit margin (%)	63.7	12.2	13.7	14.6	18.5
Return on average assets (%)	0.0	8.7	10.7	11.7	16.1
Return on average equity (%)	0.0	17.0	21.6	23.4	31.0
Net debt to equity (%)	(3.1)	20.6	(4.6)	14.9	1.1
DPS	0.00	0.05	0.05	0.06	0.08
Recurrent cash flow per share	(0.11)	(0.20)	0.27	(1.07)	0.13

Source: Company data, RHB estimates

SWOT Analysis

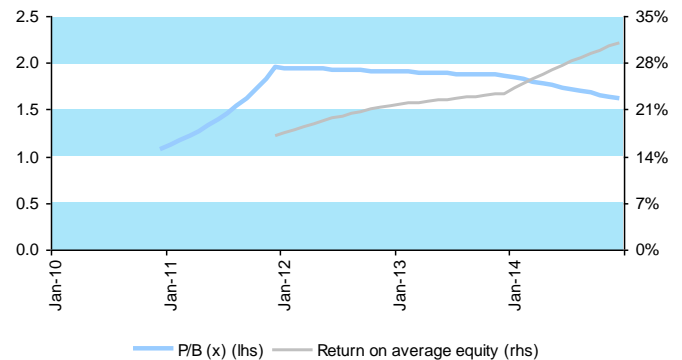


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

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

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
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

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- Buy:** Share price may exceed 10% over the next 12 months
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