

Tambun Indah Land (TILB MK)

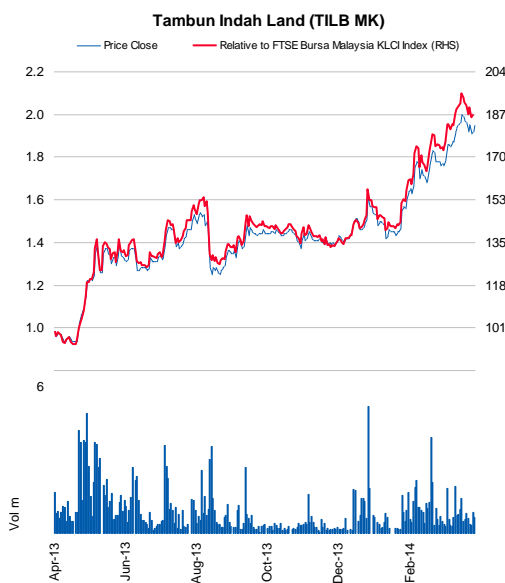
Property - Real Estate
Market Cap: USD238m

Buy (Maintained)

Target Price: MYR2.50
Price: MYR1.95

Prime Beneficiary Of Investments In Batu Kawan

Macro
Risks
Growth
Value



Source: Bloomberg

Avg Turnover (MYR/USD)	1.34m/0.41m
Cons. Upside (%)	-20.5
Upside (%)	28.2
52-wk Price low/high (MYR)	0.93 - 2.00
Free float (%)	50

Shareholders (%)	
Ir. Teh Kiak Seng	38.0

Shariah compliant

Loong Kok Wen CFA +603 9207 7614
loong.kok.wen@rhbgroup.com

Tambun Indah, a pure Penang mainland play, is still the prime beneficiary of investment inflows in Batu Kawan. Despite the recent share price re-rating, its current market cap implies a land value of MYR28 psf for its 600-acre land in Pearl City, vs the current market price of MYR40-45 psf. Upside remains, as prices will be driven further by Eco World, IJMLD and Mah Sing. Maintain BUY, with a new MYR2.50 FV.

- ◆ **Investor interest surges.** As expected, investor interest on Tambun Indah has surged substantially, driven by the IKEA news flow and upcoming investments that will take place in Batu Kawan. We urge investors to watch out for more news flow over the next few months, including the award of tenders for a golf course and theme park land, and an investment involving a Singapore Government-linked company.
- ◆ **Implied land value yet to reflect market value.** Based on Tambun Indah's current market cap (and minus net cash), the implied value for its remaining 600 acres in Pearl City is only MYR28 psf, while the current market price for land parcels in Seberang Perai Selatan is going at MYR40-45 psf and Batu Kawan at MYR45-55 psf. The land value in Seberang Perai Selatan has probably jumped by 200-250% over the past two years, and we believe the uptrend will continue, stimulated by rising investment inflow in Batu Kawan. The growth trajectory is expected to be similar to what we saw in Iskandar Malaysia, where land prices leapt 3-5x over a period of 4-5 years.
- ◆ **Launching Raintree Park soon.** Raintree Park is slated for launch in May and registrations have already started. Phase 1 (GDV MYR140m) comprises linked semi-ds, semi-Ds, terrace homes and townhouses, with prices ranging from MYR300k-530k. We expect brisk sales for this project, given the impressive designs and decent pricing, as well as the upcoming amenities – GEMS international school in Pearl City and a business hub in Batu Kawan. We are confident that price points for mainland properties will rise further when the bigger boys such as Eco World (ECW MK, NR), IJM Land (IJMLD MK, BUY, FV: MYR3.70) and Mah Sing (MSGB MK, BUY, FV: MYR2.44) start their launches there.
- ◆ **Reiterate BUY.** Given the upside to land and property prices, we raise our FV to MYR2.50 (from MYR2.20), on par with the stock's RNAV (from a 10% discount to RNAV), after adjusting our GDV assumptions. This should better reflect the land market value. The implied FY15 P/E based on our new FV is still reasonable at 8.8x.

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)	18.4	14.9	11.8	8.5	6.9
P/B (x)	2.77	2.72	2.48	2.09	1.76
Dividend Yield (%)	2.7	2.4	3.1	4.3	5.3
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

Figure 1: Tambun Indah'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
Total				722.39
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, RHB estimates

Figure 2: Design for linked semi-detached units at Raintree Park



Source: Company

Figure 3: Design for terrace homes at Raintree Park



Source: Company

Financial Exhibits

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

Source: Company data, RHB estimates

Cash flow (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Operating profit	47	81	118	133	166
Depreciation & amortisation	0	1	1	1	1
Change in working capital	(61)	24	(24)	(21)	(27)
Other operating cash flow	(18)	3	(4)	(18)	(10)
Operating cash flow	(32)	108	91	95	130
Interest received	1	-	-	-	-
Interest paid	(1)	(2)	(3)	(4)	(4)
Tax paid	(13)	(22)	(30)	(36)	(45)
Cash flow from operations	(45)	84	58	55	82
Capex	(34)	(45)	(7)	(20)	(20)
Other investing cash flow	28	(8)	(15)	-	-
Cash flow from investing activities	(6)	(53)	(21)	(20)	(20)
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
Cash flow from financing activities	63	26	(12)	(11)	(24)
Cash at beginning of period	27	39	96	126	150
Total cash generated	12	57	24	24	38
Forex effects			6		
Implied cash at end of period	39	96	126	150	188

Source: Company data, RHB estimates

Financial Exhibits

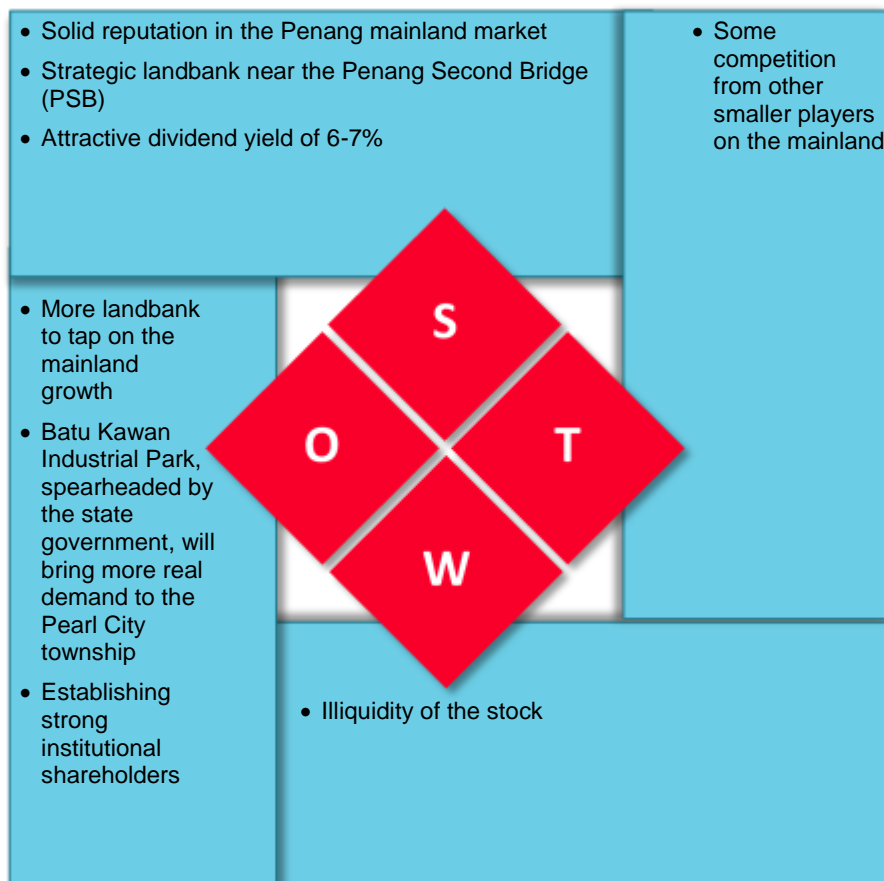
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	39	96	126	150	188
Inventories	116	129	125	155	193
Accounts receivable	65	71	87	107	133
Other current assets	1	1	2	2	2
Total current assets	222	297	340	414	516
Total investments	2	5	7	7	7
Tangible fixed assets	96	140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

Source: Company data, RHB estimates

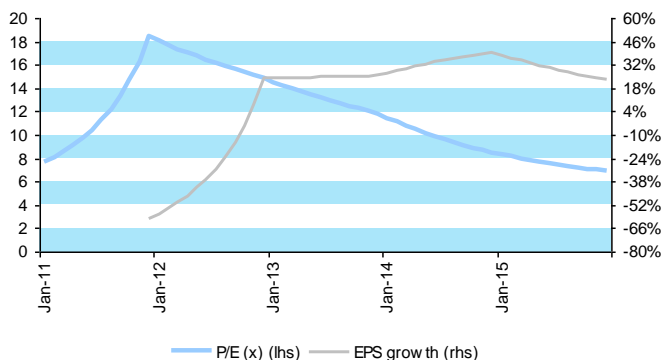
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	384.4	54.8	26.8	23.9	24.3
Operating profit growth (%)	65.0	72.6	46.6	12.5	24.6
Net profit growth (%)	(7.3)	74.6	59.2	41.5	26.2
EPS growth (%)	(60.4)	24.1	25.6	39.7	23.1
Bv per share growth (%)	(44.5)	2.2	9.5	18.6	19.1
Operating 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

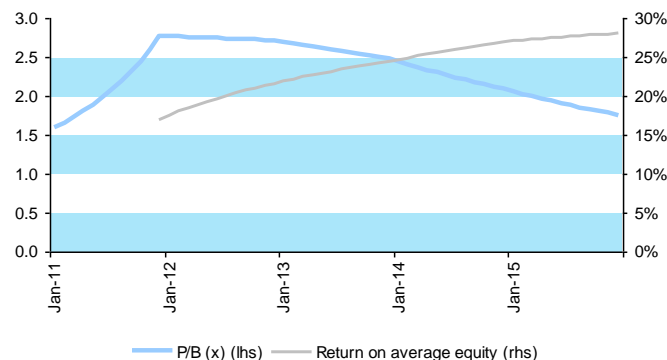


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

Tambun Indah Land 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
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
2013-05-13	Buy	1.50	1.22

Source: RHB estimates, Bloomberg

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