

## Tambun Indah Land (TILB MK)

**Buy** (Maintained)

Property - Real Estate

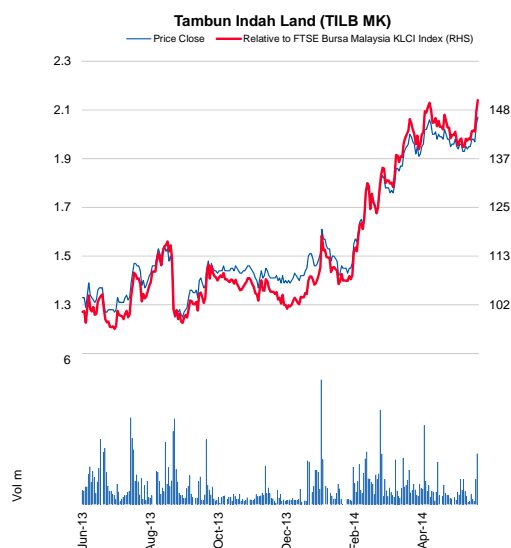
 Target Price: **MYR3.00**

Market Cap: USD258m

 Price: **MYR2.07**

### The Largest Listed Land Owner In Penang Mainland

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



Source: Bloomberg

Avg Turnover (MYR/USD)	1.40m/0.43m
Cons. Upside (%)	-25.1
Upside (%)	44.9
52-wk Price low/high (MYR)	1.25 - 2.07
Free float (%)	50

Shareholders (%)	
Ir. Teh Kiak Seng	38.0

Shariah compliant

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Tambun Indah's new 209.5-acre land adjacent to its Pearl City township is a big re-rating catalyst for the stock as: i) the company will emerge as the largest listed land owner in Penang mainland, ii) this could boost its total GDV by 34%, or MYR1bn-1.3bn; and iii) ease investors' concerns over the company's depleting landbank, and hence long-term sustainable growth. Maintain BUY, with a new MYR3.00 FV.

- ◆ **Anchoring presence in Penang mainland.** Tambun Indah (Tambun) has received a letter of acceptance of offer for the proposed acquisition of 209.54 acres of freehold land from TPPT for a purchase consideration of MYR150m. The land is adjacent to its Pearl City township in Simpang Ampat in Penang mainland. The acquisition will be funded via internal funds and borrowings, and assuming no hiccups, the sales and purchase agreement may be signed in about two weeks' time.
- ◆ **Maintaining high development margins.** The land cost of MYR150m translates into MYR16.50 psf, which is within Tambun's book cost of MYR16-18 psf for its 593-acre land in Pearl City. The price is also less than half of the almost MYR40 psf Eco World (ECW MK, NR) paid for land it bought along Jalan Paboi, and current going price of MYR45-55 psf for land parcels in Batu Kawan. The key reason for the low land cost is that the land is not accessible other than through Tambun's existing land. Given the cheap land cost, the company will be able to maintain its high development margin of 30-35%.
- ◆ **Potentially another MYR1bn-1.3bn.** We view this acquisition as a new growth catalyst for Tambun. Upon its completion, the company will become the largest listed land owner in Penang mainland, even overtaking Global Oriental's (GOB MK, NR) 350 acres, Malton's (MALT MK, NR) 300 acres, and potentially Eco World's 300-400 acres for the proposed golf course project that is yet to be officially announced. As a proxy to Penang mainland, Tambun will continue to capture the positive spillover from investment inflow at Batu Kawan, where many high profile catalytic projects are taking shape, including Temasek-PDC's JV, the IKEA mall, a premier outlet and two education institutions. Based on our estimate, the land could potentially yield a GDV of MYR1-1.3bn.
- ◆ **Maintain BUY.** Tambun MD Mr Teh Kiak Seng's patience has paid off, and the company has shown that it is able to secure strategic landbank at below-market price by not being overly aggressive. This new land will significantly ease investors' concerns over Tambun's depleting landbank. We keep our BUY rating, with a new FV of MYR3.00 (from MYR2.50).

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)	19.6	15.8	12.6	9.0	7.3
P/B (x)	2.95	2.88	2.63	2.22	1.86
Dividend Yield (%)	2.6	2.3	2.9	4.1	5.0
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)

**Figure 1: TILB's RNAV**

<b>New projects</b>	<b>Total GDV (MYR m)</b>	<b>Land size (acres)</b>	<b>Equity stake</b>	<b>NPV @ 9.5%</b>
<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%	23.8
<u>Remaining projects</u>				
Taman Bukit Residence	63.7	8.0	100%	10.7
Camellia Park	50.0	3.3	100%	8.0
Permai Residence	24.2	3.9	50%	2.0
Pearl Avenue (Ph. 2)	34.9	4.1	100%	8.8
Pearl Harmoni	122.4	21.6	100%	21.5
Rain Tree Park 1	135.8	25.1	100%	24.9
Rain Tree Park 2	173.4	30.1	100%	41.6
Pearl Tropika	86.5	20.3	100%	16.5
Pearl City - other phases	2,214.3	385.1	100%	322.2
New land	1,204.9	209.5	100%	313.3
<b>Total</b>				<b>908.24</b>
Shareholders' fund				336.04
Warrants proceed				26.52
Total RNAV				1,270.80
Shares base incl. warrants & placement (m)				423.60
FD RNAV per share (MYR)				3.00
Discount				0%
Fair value per share				3.00

Source: Company, 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

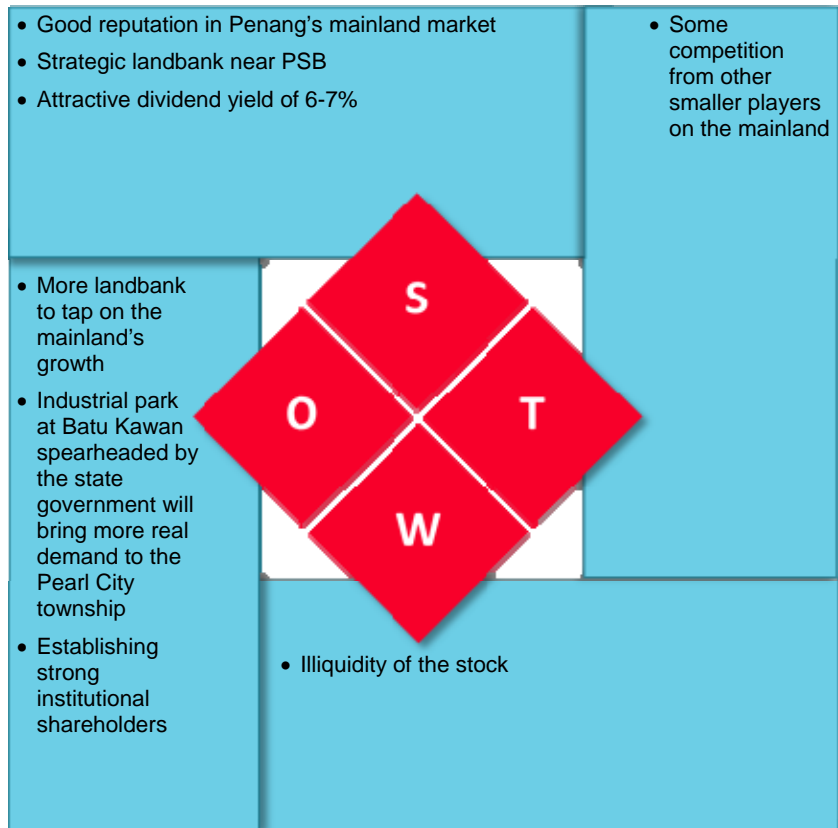
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	39	96	126	150	188
Inventories	116	129	125	155	193
Accounts receivable	65	71	87	107	133
Other current assets	1	1	2	2	2
<b>Total current assets</b>	<b>222</b>	<b>297</b>	<b>340</b>	<b>414</b>	<b>516</b>
Total investments	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

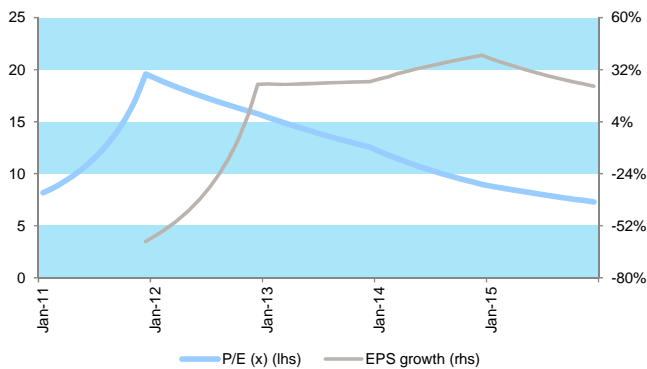
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	384.4	54.8	26.8	23.9	24.3
Operating profit growth (%)	65.0	72.6	46.6	12.5	24.6
Net profit growth (%)	(7.3)	74.6	59.2	41.5	26.2
EPS growth (%)	(60.4)	24.1	25.6	39.7	23.1
Bv per share growth (%)	(44.5)	2.2	9.5	18.6	19.1
Operating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

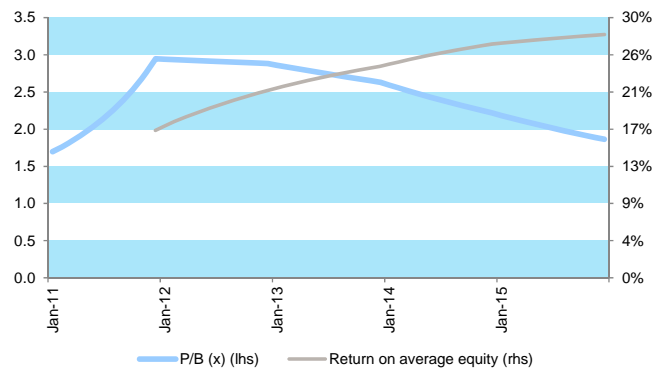


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE

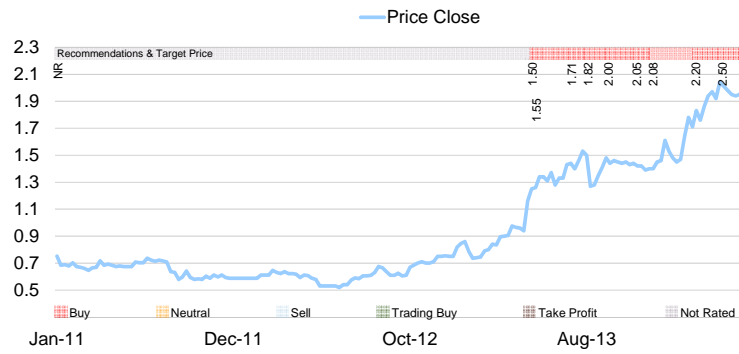


Source: Company data, RHB estimates

## Company Profile

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

## 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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**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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