

Tambun Indah Land (TILB MK)

Property - Real Estate
Market Cap: USD212m

Buy (Maintained)

Target Price: MYR2.20
Price: MYR1.76

Batu Kawan Developments To Spur Sales

Macro
Risks
Growth
Value



Source: Bloomberg

Avg Turnover (MYR/USD) 1.09m/0.33m
Cons. Upside (%) -11.9
Upside (%) 25.0
52-wk Price low/high (MYR) 0.83 - 1.78
Free float (%) 50

Shareholders (%)
Ir Teh Kiak Seng 38.0

Shariah compliant

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TILB's briefing was very well attended yesterday. On the back of MYR600m in new projects to be launched this year, management's MYR500m sales target can easily be achieved given YTD bookings of MYR140m. We are, therefore, confident with our earnings forecast. In anticipation of more news flow on Batu Kawan, we maintain our positive view on TILB. Maintain BUY with an unchanged MYR2.20 FV.

- ◆ **MYR500m sales an easy target.** Management's expectation of MYR500m new sales for this year appears an easy target to hit considering Tambun Indah Land (TILB)'s YTD sales/bookings of more than MYR130m. On an annualised basis, full-year sales could surpass the MYR500m mark. Most of the projects it launched in 4Q13-1Q14 achieved reasonably good take-up/booking rate, such as 70% for Camellia Park, 50% for Taman Bukit Residence and 40% for Pearl Harmoni.
- ◆ **Pricing trend supporting strong margin.** Based on the historical pricing trend, the terrace homes in TILB's flagship Pearl City township have seen a consistent 10% increase in ASP annually over the past six years while semi-detached homes and bungalows had about 5-10% increase on average. This is a good indication of demand for affordable housing. We believe the house pricing in Seberang Perai Selatan (SPS) will continue to hold up, given the higher entry cost (ie land cost) by other developers. This gives TILB plenty of room to raise its ASP going forward. Compared to the current market price of about MYR35-40 psf for land in SPS and MYR45-55 psf in Batu Kawan, TILB's average land cost of MYR16-18 psf will mean a much stronger margin for its property developments compared to the newcomers.
- ◆ **Expanding pool of buyers.** Management is targeting to have 40% of buyers from Penang Island this year. Already, the latter accounted for 37% of the total number of buyers in Pearl City in 2013 vs only 28% in 2009. Interestingly, there are also an increasing number of buyers from outside Penang – Kedah, Northern Perak and Kuala Lumpur – and this could largely be due to rising job opportunities in the state.
- ◆ **Maintain BUY.** SPS has become the focal point following the opening of the Penang Second Bridge and the announcement of IKEA's investment in Batu Kawan. We believe good news will continue to flow in the coming months. We maintain our BUY rating and MYR2.20 FV on TILB.

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)	16.6	13.4	10.7	7.6	6.2
P/B (x)	2.50	2.45	2.24	1.89	1.58
Dividend Yield (%)	3.0	2.6	3.4	4.8	5.9
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 (%)				0.1	(10.0)

Source: Company data, RHB estimates

Figure 1: TILB's RNAV

New projects	Total GDV (MYR m)	Land size (acres)	Equity stake	NPV @ 9.5%
Ongoing projects				
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
Remaining projects				
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	2,214.3	385.1	100%	415.4
Total				697.10
Shareholders' fund				310.07
Warrants proceed				26.52
Total RNAV				1,033.69
Shares base incl. warrants & placement (m)				423.60
FD RNAV per share (MYR)				2.44
Discount				10%
Fair value per share				2.20

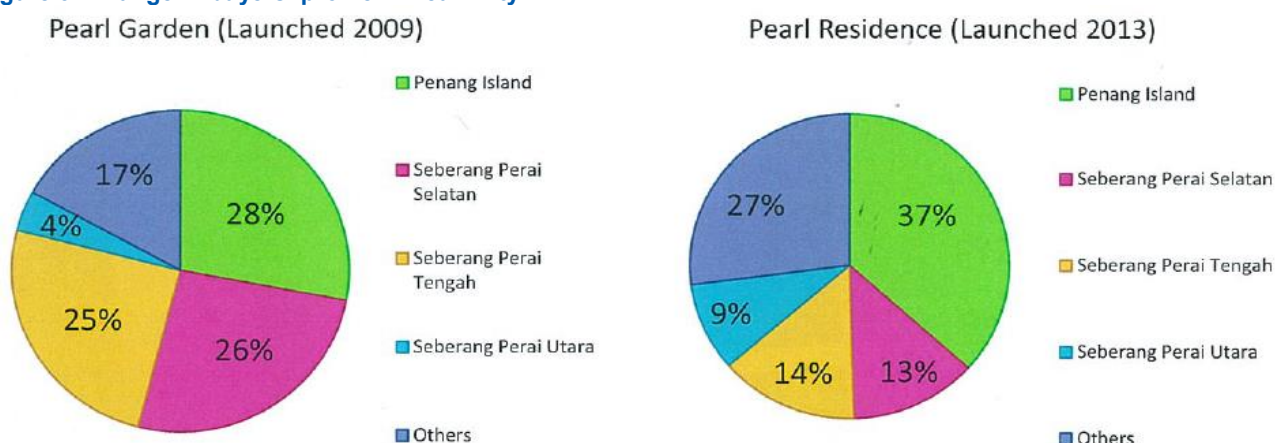
Source: Company data, RHB estimates

Figure 2: Average selling prices in Seberang Perai Selatan

Year	Terrace (MYR)	% change	Semi-d (MYR)	% change	Bungalow (MYR)	% change
1995	120,000		218,000		400,000	
1999	128,000		238,000		430,000	
2003	159,000		288,000		500,000	
2007	190,000		338,000		600,000	
2008	218,000	14.7%	388,000	14.8%	700,000	16.7%
2009	248,000	13.8%	428,000	10.3%	750,000	7.1%
2010	288,000	16.1%	488,000	14.0%	800,000	6.7%
2011	318,000	10.4%	588,000	20.5%	900,000	12.5%
2012	350,000	10.1%	600,000	2.0%	920,000	2.2%
2013	385,000	10.0%	650,000	8.3%	1,000,000	8.7%

Source: Company data

Figure 3: Change in buyers' profile in Pearl City



Source: Company data

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

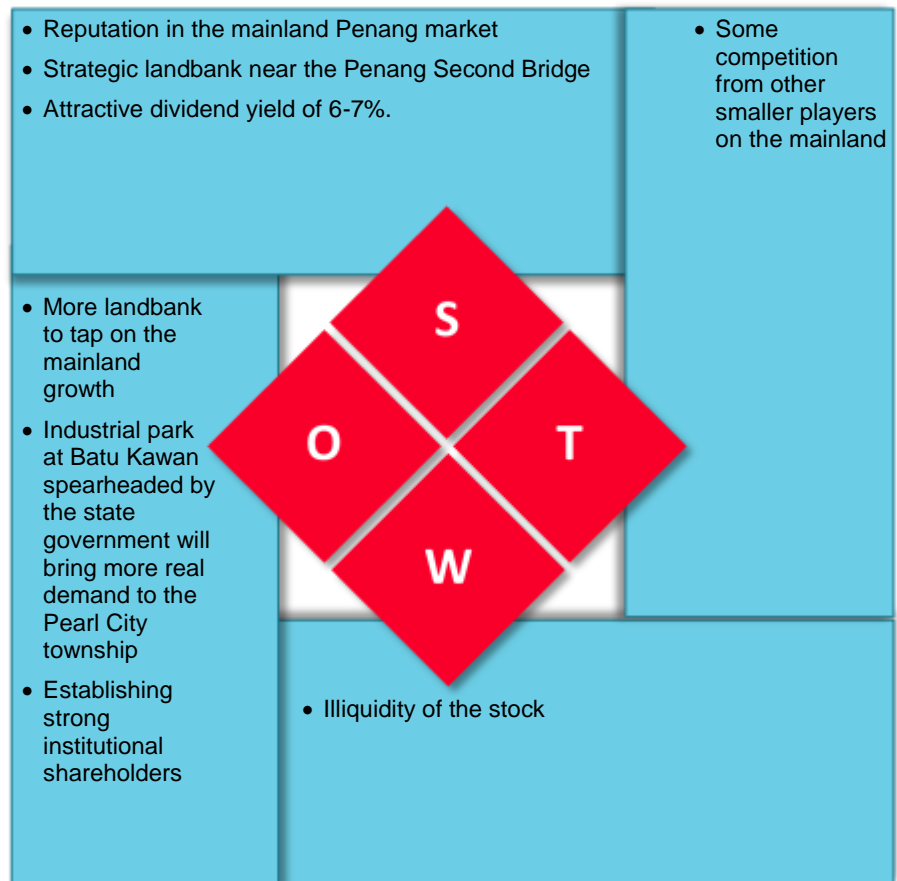
Balance Sheet (MYRm)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Total cash and equivalents	39	96	126	150	188
Inventories	116	129	125	155	193
Accounts receivable	65	71	87	107	133
Other current assets	1	1	2	2	2
Total current assets	222	297	340	414	516
Total investments	2	5	7	7	7
Tangible fixed assets	96	140	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

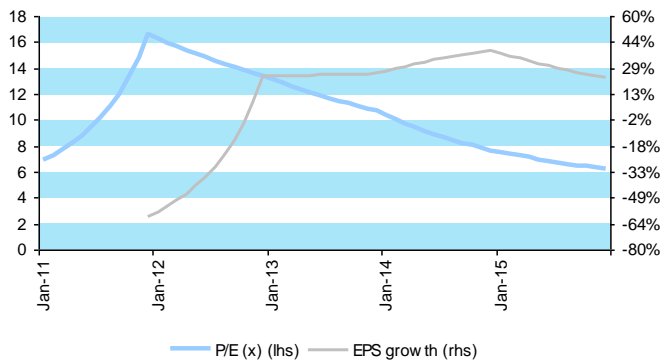
Key Ratios (MYR)	Dec-11	Dec-12	Dec-13	Dec-14F	Dec-15F
Revenue growth (%)	384.4	54.8	26.8	23.9	24.3
Operating profit growth (%)	65.0	72.6	46.6	12.5	24.6
Net profit growth (%)	(7.3)	74.6	59.2	41.5	26.2
EPS growth (%)	(60.4)	24.1	25.6	39.7	23.1
Bv per share growth (%)	(44.5)	2.2	9.5	18.6	19.1
Operating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

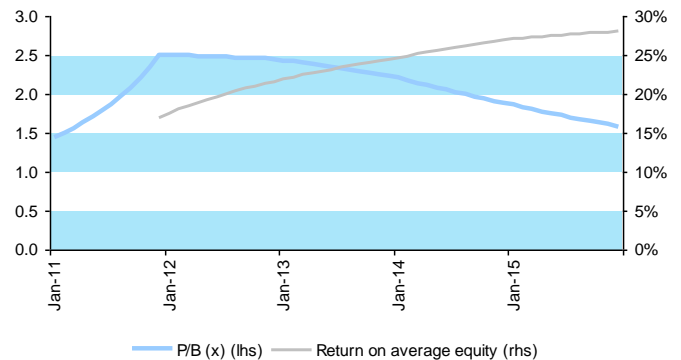


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

Tambun Indah Land (TILB) is a developer based in Mainland Penang. Its flagship Pearl City township is located at Simpang Empat, 15 minutes away from the Penang Second Bridge.

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

RHB Guide to Investment Ratings

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

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