

# Corporate Highlights



**RHB Research Institute Sdn Bhd**  
A member of the RHB Banking Group  
Company No: 233327 -M

## Visit Note

30 October 2012

# Tambun Indah Land Berhad

Share Price : RM0.715

**Not Rated**

*Starting To Feel The Heat*

**Table 1 : Investment Statistics (TAMBUN; Code: 5191)**

**Bloomberg: TILB MK**

FYE	Turnover (RMm)	Net #			PER (x)	C.EPS* (sen)	P/CF (x)	P/NTA (x)	ROE (%)	Net	
		profit (RMm)	EPS (sen)	Growth (%)						Gearing (%)	GDY (%)
2011	191.8	23.4	8.8	-	8.1	-	(4.3)	1.2	17.0	Net Cash	5.3
2012F	296.4	38.8	14.6	66.0	4.9	-	0.9	0.9	20.5	Net Cash	8.1
2013F	370.0	48.4	15.2	3.9	4.7	-	(0.4)	0.9	20.4	Net Cash	8.4
2014F	456.6	59.7	18.2	20.0	3.9	-	8.0	0.8	22.1	Net Cash	10.1

*Main Market Listing / Non-Trustee Stock # Normalised \* Consensus Based On IBES Estimates*

◆ **Malton’s project at Batu Kawan could uplift TI’s RNAV.** The upcoming completion of the 2<sup>nd</sup> Penang Bridge has spurred interest on developments on the mainland. Just recently, Malton has entered into a JV to develop a mixed development project (80% commercial/20% residential) on a 300-acre piece of leasehold land at Batu Kawan, with a GDV of RM3.8bn. Given the 18% share of GDV (to the land owner) and at a plot ratio of 1.4x for the commercial component, this translates into a land cost of about RM39 psf. This is a substantial appreciation from Tambun Indah’s (TI) average land cost of only RM11 psf at Pearl City, which is freehold and just 10-15 min away from the end of the 2<sup>nd</sup> bridge at Batu Kawan. Malton’s RM3.8bn GDV for 300 acres land also implies a considerable upside for TI’s current GDV of RM2.5bn for its 600 acres remaining landbank at Pearl City. It also suggests a promising upside in the product pricing for TI’s properties in the township. We estimate that, a 10% increase in Pearl City’s GDV would translate into a 5.2% increase in RNAV.

◆ **Earthworks and construction ongoing at Batu Kawan.** We pay a second visit to TI two weeks ago. This time, we had an opportunity to travel near to the tail-end of the 2<sup>nd</sup> Bridge at Batu Kawan area. Construction cranes are spread across with earthworks and construction for the interchange ongoing. A big Honda motorcycle plant is almost completed. Construction for more factories will start as we saw sign boards set up on the clearing sites. Our visit reinforces our view that the mushrooming industrial activities in Seberang Perai Selatan will lead to genuine demand for houses, particularly for self-contained townships such as Pearl City. The Business Park in the township will very soon transform into a commercial precinct that comprises a medical centre, hypermarket, lifestyle mall/shops and an international school.

◆ **Growth and yield well in place.** While TI will continue to add on other niche projects, the strategic anchor landbank will underpin its long-term earnings growth. We expect TI’s sales to hit RM400m vs. management’s conservative guidance of RM350m for FY12, similar to FY11’s RM347m. RM500m worth of projects has been lined up. 1H sales already amounted to RM212m, and unbilled sales totalled RM263m. The first interim dividend will be announced in conjunction with the release of 3Q results in Nov. At 40% payout, we forecast a DPS of 5.8 sen for FY12, translating into a potential gross yield of 8%.

◆ **Key risks.** 1) stock illiquidity; and (2) global macroeconomic risk.

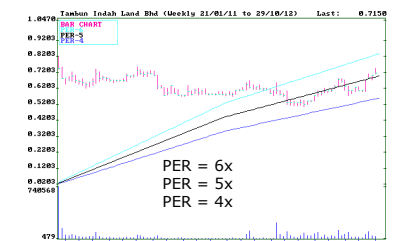
◆ **Forecasts.** No change in our earnings projections from our initial forecasts.

◆ **Valuations.** The stock is currently trading at 55% discount to RNAV and a PE of almost 5x. Our valuation on TI is unchanged at RM0.95, at 40% discount to RNAV. Uplift in RNAV is likely given management’s conservative GDV estimate.

Issued Capital (m shares)	310.4
Market Cap (RMm)	222.0
Daily Trading Vol (m shs)	2.5
52wk Price Range (RM)	0.505 – 0.745
<b>Major Shareholders:</b>	<b>(%)</b>
Ir. Teh Kiak Seng	46.7
LTAT	2.1
Felda	1.6

FYE Dec	FY12	FY13	FY14
EPS chg (%)	-	-	-
Var to Cons (%)	-	-	-

### PE Band Chart



### Relative Performance To FBM KLCI



**Loong Kok Wen, CFA**  
(603) 92802237  
loong.kok.wen@rhb.com.my

**Please read important disclosures at the end of this report.**

Fig 1: Honda's sign board set up on the construction site



Source: RHBRI

Fig 2: The Hondo plant under construction



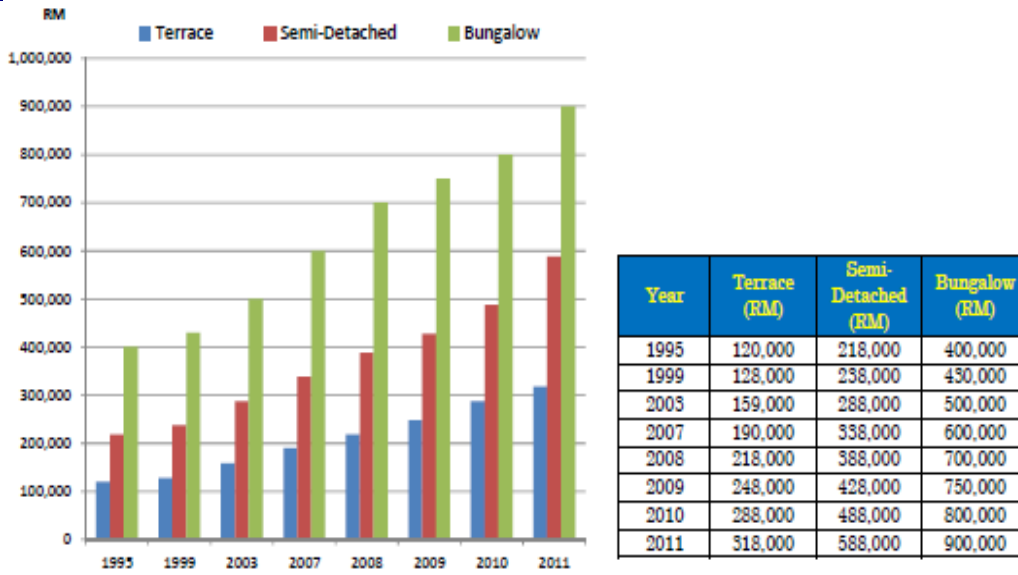
Source: RHBRI

Fig 3: Location of the 2<sup>nd</sup> Penang Bridge, Malton's land and Pearl City



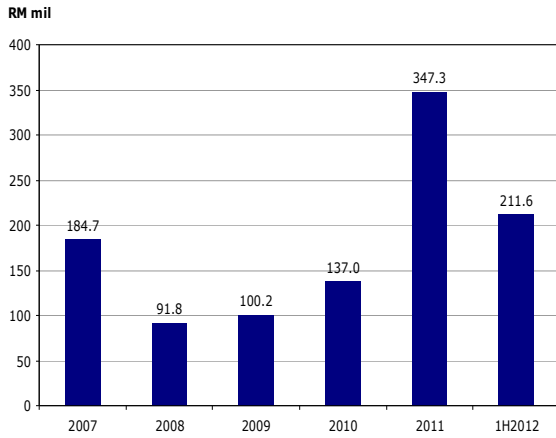
Source: Company

**Fig 4: Current pricing of Tambun Indah’s property products at Seberang Perai South**



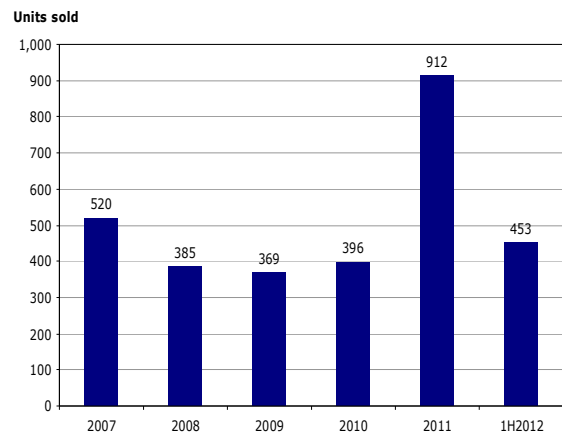
Source: Company

**Fig 5: Historical property sales of TI**



Source: Company

**Fig 6: Historical number of units sold of TI**



Source: Company

**Table 2: Ongoing and pipeline projects of Tambun Indah**

<b>Projects</b>	<b>Types</b>	<b>Est. GDV (RM mil)</b>	<b>Take-up rate</b>
Pearl Garden	Residences	137.8	96%
Dahlia Park	Condo and shop offices	46.0	77-86%
Impian Residence	Residences	44.8	87%
Tanjung Heights	Condo and shop offices	56.9	72-87%
Pearl Villas	Residences	144.1	74%
Juru Industrial Park	Industrial	36.9	83%
Capri Park	Apartments and shop offices	50.7	74-81%
Pearl Square	Shop offices	73.1	71%
Pearl Indah	Residences	171.3	49%
Carissa Park	Apartments and shop offices	28.8	99%
Carissa Villa	Shop offices	22.6	66%
<b>Subtotal</b>		<b>813.0</b>	

<b>Pipeline projects in 2012</b>	<b>Types</b>	<b>Est. GDV (RM mil)</b>	<b>Acres</b>
BM Residence	Residences	51.1	5.15
Pearl Residence 1	Residences	204.3	39.66
Carissa Villas	Residences	32.6	4.42
Pearl Impian	Residences	73.5	15.59
Straits Garden	Commercial suites and condo	236.1	4.19
<b>Subtotal</b>		<b>597.6</b>	<b>69.0</b>

**Future projects**

Taman Bukit Residence		55.8	8.0
Perquest JV		37.5	3.3
Villa Permai		18.6	3.9
Pearl Residence 2		201.0	44.3
Pearl Residence 3		367.0	101.8
Pearl City Business Park		642.0	107.1
Other phases - Pearl City		1,022.0	291.1
<b>Subtotal</b>		<b>2,343.8</b>	<b>559.6</b>

Source: Company

**Table 3: RNAV estimate for TIL**

<b>New projects</b>	<b>Total GDV (RM mil)</b>	<b>Land size (acres)</b>	<b>Equity stake</b>	<b>NPV @ 9.7%</b>
<u>Ongoing projects</u>				
Dahlia Park	46.0		100%	6.4
Tanjung Heights	56.9		100%	7.9
Pearl Villas	144.1		70%	13.5
Juru Industrial Park	36.9		100%	5.8
Capri Park	50.7		100%	7.1
Pearl Square	73.1		60%	6.1
Pearl Indah	171.3		60%	13.7
Carissa Villa	55.1	4.4	100%	7.7
BM Residence	51.1	5.2	100%	7.3
Pearl Residence 1	204.3	39.7	70%	19.4
Pearl Impian	73.5	15.6	60%	6.5
Straits Garden	236.1	4.2	100%	35.4
<u>Remaining projects</u>				
Taman Bukit Residence	55.8	8.0	100%	7.8
Perquest JV	37.5	3.3	100%	5.0
Villa Permai	18.6	3.9	50%	1.3
Pearl Residence 2	201.0	44.3	70%	19.4
Pearl Residence 3	367.0	101.8	60%	32.1
Pearl City Business Park	642.0	107.1	60%	55.3
Other phases - Pearl City	1,022.0	291.1	60%	71.9
<b>Total</b>				<b>329.70</b>
Shareholders' fund				206.49
Warrants proceed				26.52
Total RNAV				562.71
Shares base incl. warrants (mil)				353.60
FD RNAV per share (RM)				1.59
Discount				40%
Fair value per share				0.95

Source: Company, RHBRI

**Table 4. Earnings Forecasts**

<b>FYE Dec (RMm)</b>	<b>FY11</b>	<b>FY12F</b>	<b>FY13F</b>	<b>FY14F</b>
Revenue	191.8	296.4	370.0	456.6
Gross Profit	61.2	93.6	117.3	144.2
EBIT	46.7	75.7	93.4	114.5
Interest income	0.8	0.9	0.9	1.0
Finance costs	(0.8)	(3.4)	(3.1)	(2.8)
PBT	46.8	73.2	91.3	112.6
Exceptional item	0.0	0.0	0.0	0.0
Tax + minority interest	(23.4)	(34.4)	(42.9)	(52.9)
Normalised net profit	23.4	38.8	48.4	59.7
Normalised EPS	8.8	14.6	15.2	18.2
Gross DPS	3.8	5.8	6.0	7.2
Dividend payout	50.5	39.6	39.5	39.5

Source: Company data, RHBRI estimates

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### Stock Ratings

Outperform = The stock return is expected to exceed the FBM KLCI benchmark by greater than five percentage points over the next 6-12 months.

Trading Buy = Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 15% or more over a period of three months, but fundamentals are not strong enough to warrant an Outperform call. It is generally for investors who are willing to take on higher risks.

Market Perform = The stock return is expected to be in line with the FBM KLCI benchmark (+/- five percentage points) over the next 6-12 months.

Underperform = The stock return is expected to underperform the FBM KLCI benchmark by more than five percentage points over the next 6-12 months.

### Industry/Sector Ratings

Overweight = Industry expected to outperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Neutral = Industry expected to perform in line with the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Underweight = Industry expected to underperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

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