



Loong Kok Wen, CFA  
603 9280 2237  
loong.kok.wen@rhb.com.my

**MARKET DATELINE**  
**MALAYSIA EQUITY**  
Investment Research

## Briefing Note

# Tambun Indah Land Bhd

**NOT RATED**



Target RM1.08  
Previous RM0.95  
Price RM0.80

### Property

### Stock Statistics

Bloomberg Ticker TILB MK  
Market Cap RM249.2m  
USD80.3m  
52 wk H/L price 0.885 0.505  
3m ADT RM525.5m  
YTD Returns 8.7%  
Beta (x) 0.94

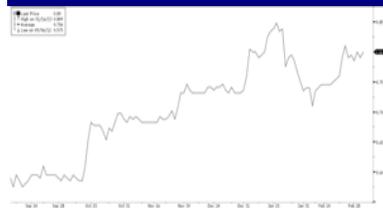
### Major Shareholders (%)

Ir. Teh Kiak Seng 47.0

### Share Price Performance (%)

Month	Absolute	Relative
1m	+8.1	+7.5
3m	+6.7	+4.8
6m	+35.6	+32.2
12m	+28.7	+22.7

### 6-month Share Price Performance



Source: Bloomberg

## The Market Leader In Mainland Penang

We raise our fair value to RM1.08. We remain convinced that the upside potential for real estate values in the Penang mainland is substantial. Having >500 acres of landbank close to the Penang Second Bridge (PSB), Tambun Indah (TI) is expected to enjoy higher pricing for its products. This will translate to margin and RNAV expansion. In our view, management's GDV guidance is conservative.

- ◆ **Premium Outlet coming to Batu Kawan.** The Penang state government has recently announced its plans to set up a Premium Outlet next to the PSB interchange. Mirroring the spillover of the Johor Premium Outlet to Kulai/Senai areas, coupled with the completion of the PSB in Sep, we believe the development and value potential on the mainland will be substantial over the medium term. Located just 15 min away from the PSB, TI's Pearl City township is set to be the prime beneficiary.
- ◆ **Expect RM450m sales in 2013.** Pearl City continues to see strong sales. Sales generated from the Pearl City made up 47% of TI's total sales in 2012. Going forward, TI will launch about RM550m GDV worth of projects, out of which, nearly RM440m comes from projects at Pearl City.
- ◆ **New plans for the business park.** Although the MOU with the Straits International School has lapsed, this is not a concern, as there are already a few education players showing interests in setting up learning institutions in Pearl City. The plan for a retail mall with >500k sqf of GFA is on track. These developments will enhance the attractiveness of the township.
- ◆ **Forecasts.** RM330m unbilled sales (up from RM263m) will underpin the near-term earnings growth. We fine-tune our FY13-14 forecasts by 4-6%.
- ◆ **Investment case.** TI does not only have the angle of landbank catalysts and earnings growth, it also has an attractive dividend yield of >7%. After updating our RNAV, we now value TI at RM1.08, at lower 35% discount to RNAV, as the completion of the PSB will provide greater earnings visibility.

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (RMm)	39.6	191.8	296.9	376.4	474.8
Recurring net profit (RMm)	25.2	23.4	40.8	50.3	63.0
Recurring net profit growth (%)	-	(7.3)	74.6	23.2	25.2
Core EPS (sen)	97.4	8.6	14.9	16.3	20.4
Core EPS growth (%)	-	(91.2)	74.6	8.9	25.2
DPS (sen)	3.3	3.8	5.3	6.0	7.2
Dividend Yield (%)	4.1	4.8	6.6	7.5	9.0
Core P/E (x)	0.8	9.4	5.4	4.9	3.9
Return on average equity (%)	20.9	17.0	21.6	21.0	22.9
P/B (x)	0.2	1.4	1.0	1.0	0.8
EV/EBITDA (x)	7.8	6.0	6.6	5.9	6.3
Net debt to equity (x)	(0.0)	0.2	Net cash	Net cash	Net cash
RHB vs consensus EPS (%)				-	-

Source: Company data, RHBRI estimates

**FINANCIAL**

<b>Profit &amp; Loss (RMm)</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>
<b>Turnover</b>	<b>39.6</b>	<b>191.8</b>	<b>296.9</b>	<b>376.4</b>	<b>474.8</b>
<b>EBITDA</b>	<b>28.3</b>	<b>47.0</b>	<b>81.2</b>	<b>100.0</b>	<b>124.1</b>
<i>EBITDA margin (%)</i>	<i>71.6</i>	<i>24.5</i>	<i>27.3</i>	<i>26.6</i>	<i>26.1</i>
Depreciation & amortisation	(0.0)	(0.3)	(0.5)	(0.7)	(0.8)
<b>EBIT</b>	<b>28.3</b>	<b>46.7</b>	<b>80.7</b>	<b>99.4</b>	<b>123.3</b>
<i>EBIT margin (%)</i>	<i>71.5</i>	<i>24.4</i>	<i>27.2</i>	<i>26.4</i>	<i>26.0</i>
Net Interest	0.1	0.1	(2.2)	(3.5)	(3.3)
Associates	0.0	(0.0)	0.5	0.0	0.0
Exceptional items	0.0	0.0	0.0	0.0	0.0
<b>Pretax Profit</b>	<b>28.4</b>	<b>46.8</b>	<b>79.0</b>	<b>95.8</b>	<b>120.0</b>
<i>Pretax margin (%)</i>	<i>71.7</i>	<i>24.4</i>	<i>26.6</i>	<i>25.5</i>	<i>25.3</i>
Tax	(2.1)	(13.1)	(21.9)	(26.3)	(33.0)
<b>PAT</b>	<b>26.3</b>	<b>33.7</b>	<b>57.0</b>	<b>69.5</b>	<b>87.0</b>
Minorities	(1.0)	(10.3)	(16.2)	(19.2)	(24.0)
<b>Net Profit</b>	<b>25.2</b>	<b>23.4</b>	<b>40.8</b>	<b>50.3</b>	<b>63.0</b>
<i>Net Profit margin (%)</i>	<i>63.7</i>	<i>12.2</i>	<i>13.7</i>	<i>13.4</i>	<i>13.3</i>

*Source: Company data, RHBRI estimates*

**BRIEFING HIGHLIGHTS**

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**Premium Outlet coming to Batu Kawan.** The upside potential for real estate values in Penang mainland is picking up. The soon-to-be completed PSB is a key catalyst to attract investments and business activities to the Batu Kawan area, coupled with the relatively cheaper land and property prices compared to the island. Bose, Honda, Ibiden and Bosch are among the foreign investors currently building their plants at the Batu Kawan industrial area. Recently, the Penang state government announced plans to set up a Premium Outlet next to the PSB interchange at Bandar Cassia. Bandar Cassia is a township led by the Penang Development Corp, with a size of over 6,000 acres. Mirroring the spillover of the Johor Premium Outlet to Kulai/Senai areas, we believe the Batu Kawan area will experience similar growth trends in real estate values, as the outlet will help to attract tourists from the Penang Island to the mainland (total number of tourists to the Penang state is about 6m per year) and spur business activities in the surrounding areas. Note that, based on our checks, a small plot of agricultural land at Kulai (near JPO) is now going at about RM20-25 psf (some 30-40% appreciation over the last two years), and there are many new property developments in the vicinity since the commencement of JPO in end-2011. Meanwhile, it was also mentioned during the briefing that IKEA is also looking to set up an outlet at Batu Kawan. In our view, the completion of the PSB in Aug/Sept this year will be the biggest catalyst in rerating the stock. Located at just 15-min away from the PSB, TI's >500-acre Pearl City township is set to be the prime beneficiary.

**>RM800m worth of properties for sale this year.** TI achieved total property sales of RM400m last year (from RM347m in 2011), which was in line with our target but exceeded management's conservative target of only RM350m. We expect record sales of RM450m in 2013, on the back of RM550m worth of new launches as well as RM283m worth of unsold properties that were mostly rolled out late last year. Out of the total amount of new projects, almost RM440m (about 80%) projects are located at Pearl City. These include Pearl Residence 1, Pearl Impian and Pearl Avenue (2 and 3-storey storey shop lots pricing at RM700-800k and RM1m per unit). We believe the demand for properties on the mainland, and particularly at Pearl City, will remain strong. The relatively cheaper property pricing compared to the island, and the "catalytic projects" as well as efforts by the state government to promote investments in the state will be the key drivers for real estate growth on the mainland. In anticipation of the completion of PSB, property sales for the Pearl City have been strong since the launch 2-3 years ago. Sales generated from the Pearl City alone increased to RM174m in FY12 from RM163m in FY11. We believe TI still has room for higher pricing for its Pearl City products, due to its strategic location of the land as well as the current pricing level, which is still relatively decent despite the annual increase in average selling price.

**Table 1: Average Selling Price and % Appreciation At Seberang Prai Selatan**

Year	Terrace (RM)	% change	Semi-d (RM)	% change	Bungalow (RM)	% 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%

Source: Company

**Table 2: Pipeline Projects For FY13**

Projects	Type	Acres	Est. GDV (RM mil)
Pearl Residence 1 @ Pearl City *	Bungalows, semi-ds & terrace	39.66	212
Pearl Impian @ Pearl City *	2-storey terrace	15.59	84
Taman Bukit Residence	Gated linked houses	8.04	56
Camillia Park	Apartments and shops	3.26	40
Seri Permai	2-storey homes	3.85	19
Pearl Avenue	2 & 3-storey shop offices	17.56	142
<b>Total</b>			<b>553</b>

\* Projects launched in 4Q12 but yet to be recognised

Source: Company

**New plans for the 107-acre business park at Pearl City.** The MOU with the Straits International School lapsed in Feb due to some disagreement on certain terms and conditions. We understand that there are currently a few education players in talks with management to build a campus within the township. Pearl City, in our view, offers a ready population and houses to complement the learning institutions. Therefore, although the MOU with the Straits International School has been terminated, we believe TI can easily replace it with another reputable education provider. Meanwhile, TI is also negotiating with a shopping mall owner/operator to set up a retail mall to cater for the township. This potential partner currently owns four shopping malls in the northern region of Peninsular Malaysia, and hence TI will be able to leverage on the partner's expertise to operate a retail property. A 50:50 JV will be formed between TI and the partner to construct a mall with a gross built-up area of 500-600k sqf. The mall will be integrated with the lifestyle commercial precinct. We are positive to the JV, as the commercial component will help to add long-term value to the entire township development.

**Valuations.** Although the share price has appreciated by 33% since we first issued a note in Oct last year, we continue to see value in the stock. TI is an attractive Penang mainland play ahead of the completion of the PSB. The bridge is expected to yield significant economic impact on the Batu Kawan area. After we update the latest financial numbers and our RNAV estimate, we raise our fair value on TI to RM1.08 (from RM0.95), at a lower 35% discount (from 40%) to RNAV, as the completion of the PSB will bring greater visibility on the outlook of the mainland market, as well as shorten the landbank turnaround time.

**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 @ 9.6%</b>
<u>Ongoing projects</u>				
Dahlia Park	46.3		100%	6.9
Tanjung Heights	57.3		100%	8.5
Pearl Villas	144.5		70%	14.4
Juru Industrial Park	37.1		100%	6.1
Capri Park	51.1		100%	7.6
Pearl Square	73.1		60%	6.5
Pearl Indah	176.0		60%	15.0
Carissa Villa	54.2	4.4	100%	8.0
BM Residence	56.4	5.2	100%	8.4
Pearl Residence 1	212.5	39.7	70%	20.2
Pearl Impian	84.4	15.6	60%	7.5
Straits Garden	254.2	4.2	100%	39.3
<u>Remaining projects</u>				
Taman Bukit Residence	55.8	8.0	100%	8.3
Camellia Park	40.0	3.3	100%	5.7
Seri Permai	18.6	3.9	50%	1.4
Pearl Avenue	142.0	17.6	60%	14.2
Pearl Residence 2	201.0	44.3	70%	21.1
Pearl Residence 3	420.0	101.8	60%	37.9
Other phases - Pearl City	1,250.0	380.7	60%	101.9
<b>Total</b>				<b>338.72</b>
Shareholders' fund				223.22
Warrants proceed				26.52
Total RNAV				588.46
Shares base incl. warrants (mil)				353.60
FD RNAV per share (RM)				1.66
Discount				35%
Fair value per share				1.08
<i>Source: Company, RHBRI estimates</i>				

Fig 1: Location of the 2<sup>nd</sup> Penang Bridge, Malton's land and Pearl City



Source: Company

## RECOMMENDATION CHART

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Source : RHB, Bloomberg

Date	Recommendation	Target Price	Price
2012-10-11	Not Rated	0.95	0.600
2012-10-30	Not Rated	0.95	0.715

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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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<b>Jakarta</b>	<b>Shanghai</b>	<b>Phnom Penh</b>
<b>PT OSK Nusadana Securities Indonesia</b> Plaza CIMB Niaga, 14th Floor, Jl. Jend. Sudirman Kav.25, Jakarta Selatan 12920, Indonesia. Tel : (6221) 2598 6888 Fax : (6221) 2598 6777	<b>OSK (China) Investment Advisory Co. Ltd.</b> Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633	<b>OSK Indochina Securities Limited</b> No. 1-3, Street 271, Sangkat Toeuk Thla, Khan Sen Sok, Phnom Penh, Cambodia Tel: (855) 23 969 161 Fax: (855) 23 969 171
<b>Bangkok</b>		
<b>OSK Securities (Thailand) PCL</b> 10th Floor, Sathorn Square Office Tower, 98, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand Tel: +(66) 862 9999 Fax: +(66) 108 0999		