

16 April 2013

# Tambun Indah Land Bhd

## Pearl City to propel growth

### INVESTMENT MERIT

- Experienced Penang-based developer.** Tambun Indah Land Berhad is a small-cap property developer based in Penang with a commendable track record dating back to 1994. The group is instrumental in developing Penang's first guarded & gated community – Taman Tambun Indah. To date, the Group has completed more than 6,200 residential units worth more than RM2.1b in GDV.
- Pearl City, the crown jewel, to propel growth along with other projects.** The Group's flagship project – Pearl City, a residential & commercial development located in Simpang Ampat, Seberang Perai, was commenced in 2009 and is expected to be completed in 2020. The project has an estimated total GDV of RM3.0b, with remaining GDV of c. RM2b to be launched in phases till 2020. Other projects slated for launch in FY13 i.e. Taman Bukit Residence, Camellia Park and Seri Permai, are collectively worth RM114.4m. Meanwhile, the Group's ongoing projects are worth RM995m in GDV, thus providing earnings visibility.
- Beneficiary of the upcoming Second Penang Bridge.** The Second Penang Bridge is targeted for completion in September 2013. Upon completion, the bridge will improve connectivity between Penang Island and Seberang Prai, thus benefiting Tambun Indah, a good proxy to the south Seberang Prai property market as it is a Seberang Prai-based property player.
- FY13 earnings underpinned by unbilled sales and new launches.** After registering strong property sales of RM401m in FY12, the Group's current unbilled sales stand at RM390m. Spreading this over 2 years and assuming a net margin of 14% would imply c. RM29m in earnings contribution annually, making up 57% of FY13E net profit. Further providing earnings visibility for FY13 is expected property launches worth RM256m in FY13.
- Net cash position with decent dividend yield.** The Group has turned into a net cash position following the completion of a rights issue exercise that raised RM44m in FY12. The Group is currently sitting on a cash balance of RM96m and is adhering to a dividend payout policy of 40%-60%. Dividend payout ratios were between 40% and 50% over the past three financial years. We project the group to declare a DPS of 6.6 sen (40% payout ratio) in FY13, implying a yield of 6.7%.
- Trading Buy with a TP of RM1.10.** The group is currently trading at an undemanding 5.9x FY13 PER, a 40% discount to the mid-to-small cap property developers' average PER of 9.8x. We recommend a Trading Buy rating on the stock with a TP of RM1.10 based on a target net yield of 6.0%, implying a FY13E PER of 6.6x, in line with Hua Yang's FY13E PER of 6.0x.

### SWOT ANALYSIS

- Strength:** Established developer with a visible pipeline and strong balance sheet.
- Weaknesses:** Lack of diversification in terms of geographical area.
- Opportunities:** Vibrant property market in Penang and spillover effects from foreign investment inflow.
- Threats:** Competition and slowdown in demand.

### TECHNICALS

- Resistance:** RM1.02 (R1), RM1.06 (R2)
- Support:** RM0.96 (S1), RM0.86 (S2)
- Comments:** TAMBUN has been on a sustained uptrend for almost a year now. While the indicators have yet to show signs of weakness, we reckon that traders should still wait for a more definitive pullback before entering into a buy trade. The 86 sen resistance-turned-support should be a good level to eye.



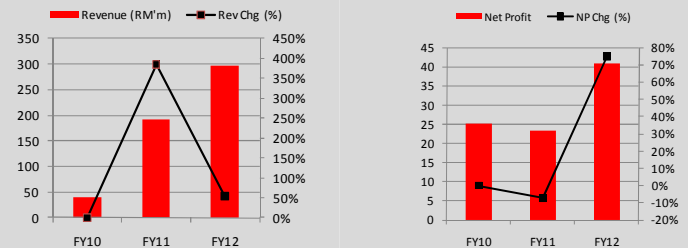
Source: Bloomberg

### Rating

### Fair Value

Last Price	-	RM0.975
Kenanga	Trading BUY	RM1.100
Consensus	BUY	RM0.970

### FINANCIALS



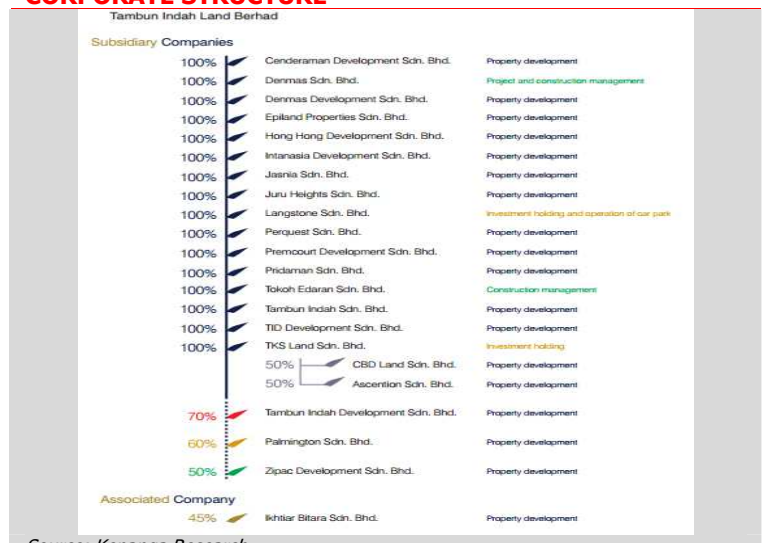
FYE Dec	FY11	FY12	YoY	3Q12	4Q12	QoQ
Revenue	191.8	296.9	55%	76.6	75.5	-2%
PBT	46.8	79.0	69%	22.1	20.8	-6%
Net Profit	23.4	40.8	75%	10.9	11.3	3%
FD EPS (sen)	10.1	13.1	30%	3.5	3.6	3%
DPS (sen)	3.6	5.3	46%	N.M.	N.M.	N.M.

Source: Bloomberg, Company

	2011A	2012A	2013F
PER (x)	9.6	6.5	5.9
PBV (x)	1.5	1.4	1.2

Source: Bloomberg, Company

### CORPORATE STRUCTURE



Source: Kenanga Research

### BUSINESS OVERVIEW

Tambun Indah Land Bhd ("TAMBUN", BURSA CODE: 5191) is Mainland Penang-based property developer which was founded in 1994. It was instrumental in developing Penang's first guarded & gated community – Taman Tambun Indah and the first landed strata scheme property in Penang. The Group's market segment comprises of residential properties that are affordable yet able to provide luxurious lifestyle. Total GDV of completed projects to-date stands at RM2.1b while total future GDV stands at RM2.13b.

### BUSINESS SEGMENTS

- Property development:** Development of land into vacant lots, residential, commercial and industrial buildings.
- Construction and project management:** Construction and project management activities.
- Investment holding:** Operation of car park and rental income.

TAMBUN INDAH LAND BHD

Industry: Real Estate

Industry Sub-Sector: Real Estate Oper/Develop

Currency: MYR

Exchange: Bursa Malays

Stock ID	Price @	% Chg 1 yr	% Chg 3 mth	% Chg 1 mth	% Chg 5 day	\$ Chg 1 day	\$ Chg YTD
5191	16-Apr-13						
TLB MK	0.975	60.54	13.37	16.77	3.17	0.00	29.14
KLCI	1697.77	5.90	0.70	4.31	0.58	-0.04	0.52

Tambun Indah Land Bhd develops real estate. The Company builds residential projects including attached terrace homes, villas, condominium towers, and bungalows.

Ownership Statistics

Ownership Type	Percentage
Institutional Ownership	0.0%
Retail Ownership	91.9%
Insider Ownership	8.1%

Ownership Type

Financial Stats	FY11	FY12	FY13F
FYE Dec			
Revenue	191.8	296.9	363.8
EBITDA	47.4	81.7	89.0
OP	47.1	81.2	88.3
Pretax	46.8	79.0	88.5
Net Profit	23.4	40.8	51.0
EPS (SEN)	10.2	14.9	16.4

Balance Sheet

	FY11	FY12	FY13F
Non-CA	100.2	146.4	162.2
CA	222.0	297.4	351.7
<b>Total Assets</b>	<b>322.2</b>	<b>443.9</b>	<b>513.9</b>
CL	60.0	103.1	123.7
Non-CL	74.8	78.9	78.9
Shareholders fund	155.3	223.2	253.8
Minority interest	32.0	38.7	57.6
<b>Total Equity &amp; Liabilities</b>	<b>322.2</b>	<b>443.9</b>	<b>513.9</b>

Cash Flow

	FY11	FY12	FY13F
Operating CF	(48.0)	81.9	45.9
Investing CF	(6.9)	(58.6)	(13.9)
Financing CF	68.6	28.6	(22.8)
Change in Cash	13.7	51.9	9.2

Valuation Stats

	FY11	FY12	FY13F
PER (x)	9.6	6.5	5.9
P/BV (x)	1.5	1.4	1.2
EV/EBITDA	4.0	4.0	3.2
DPS (SEN)	3.8	5.3	6.6
Dividend Yield (%)	3.9	5.4	6.7
ROE (%)	17.0	21.6	21.4
ROA (%)	8.7	10.7	10.7
EPS Growth (%)	N.M.	46.6	10.0
Revenue Growth (%)	N.M.	54.8	22.5
OP Margin (%)	24.5	27.4	24.3
NP Margin (%)	12.2	13.7	14.0

Domestic Peers Comparison (CY12)

	PER	P/BV	P/NTA	P/CF	Div Yield	Mkt Cap
HUA YANG BHD	5.95	1.16	1.10	N.A.	6.50	436
LBS BINA GROUP BHD	N.A.	N.A.	1.10	N.A.	N.A.	360
HUNZA PROPERTIES BHD	17.10	0.54	0.55	N.A.	1.29	310
GLOMAC BHD	6.30	0.92	0.89	N.A.	5.15	687
SIMPLE AVG	9.78	0.87	0.91	N.A.	4.31	
TAMBUN INDAH LAND BHD	6.72	N.A.	1.36	1.36	7.18	304
FTSE Bursa Malaysia KLCI	15.51	2.28			6.60	

Market Cap (mil)	303.8	Return on Capital (%)**	19.2
Total Debt (mil)**	83.8	Return on Assets (%)**	10.6
Total Assets (mil)**	443.9	Return on Common Eqy (%)**	21.6
Total Capital (mil)**	345.7	Sales Growth **	34.5
Tot Debt/Tot Asst (%)**	18.9	Diluted EPS Cont Ops**	0.04
Tot Debt/Tot Cap (%)**	24.2	Current Qtr EPS Est	N/A
Tot Debt/Com Eqy (%)**	32.0	Current Yr EPS Est	0.15
Tot Debt/EBITDA (x)**	1.00	Beta (x)	0.93
Book Value (x)**	0.72	Relative Index	FTSE Bursa Malaysia KLCI
Number of Shares Outstanding (mil)	311.6	Index Weighting	N/A
Avg 6M Daily Vol Traded (mil)	1.1	Alt. Relative Index	FTSE BURSA MALAYSIA EMAS
Avg 6M Daily Value Traded (mil)	0.9	Alt. Index Weighting	N/A
Net Gearing (x)	0.4	2nd Alt. Relative Index	FTSE Bursa Mal Small Cap
Free Float (%)	41.1	2nd Alt. Index Weighting	N/A
Share Price 52 Week High	1.00	Consensus Target Price	0.97
Share Price 52 Week Low	0.51	Target Price (H)	0.97
Altman's Z-Score	Not Available	Target Price (L)	0.97
Interest Coverage Ratio	37.0	Consensus Recommendation	BUY
		Expected Earnings Report Date	5/22/2013
		Last Gross DPS (sen)	2.0
		Last Net DPS (sen)	2.0
		Last Dividend EX Date	1/23/2013

Top 3 Major Shareholders:

Shareholder	Percentage
SIRAM PERMAI	40.1
AMAL PINTAS	10.7
KIAK SENG TEH	6.6

\*\*Trailing numbers as of the most recent quarter End: 2012 Y

Quarterly Financial Data

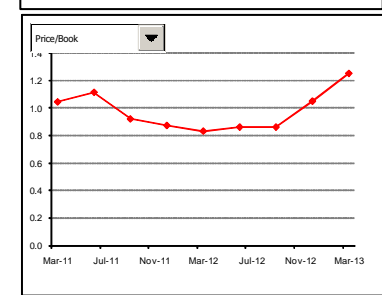
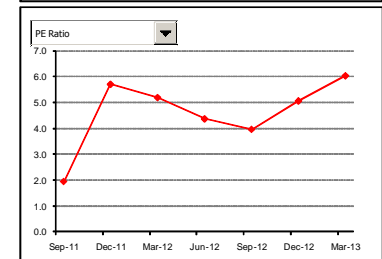
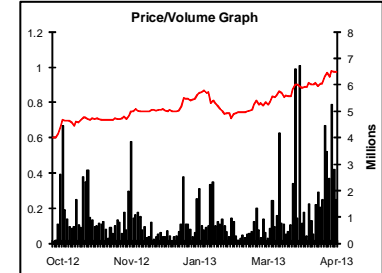
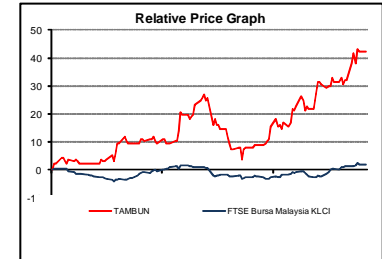
	4Q11	1Q12	2Q12	3Q12	4Q12
Revenue	56.1	66.0	78.8	76.6	75.5
OP	16.7	18.5	18.1	23.7	22.7
Pretax	16.4	18.2	17.9	22.1	20.8
Net Profit	9.2	9.2	9.5	10.9	11.3
EPS (sen)	3.98	3.96	3.78	3.52	3.62
EPS Growth (QoQ)	181.1%	-0.5%	-4.5%	-6.9%	2.8%
Revenue Growth (QoQ)	18.5%	17.6%	19.5%	-2.8%	-1.5%
OP Margin	29.8%	28.1%	23.0%	30.9%	30.0%
DPS (sen)	0.00	0.00	3.60	2.00	3.30

Revenue Breakdown

	2010	2011	2012
Property Development	27.8	70%	182.8
Construction and Project Management	11.7	30%	8.5
Investment Holdings	0.1	0%	0.6
<b>Total</b>	<b>39.6</b>		<b>191.8</b>

Geographic Breakdown - Revenue

	2010	2011	2012
Malaysia - Penang	39.6	100%	191.8
<b>Total</b>	<b>39.6</b>		<b>191.8</b>



Source: Bloomberg, Kenanga Research

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