

Tambun Indah Land (TILB MK)

Buy (Maintained)

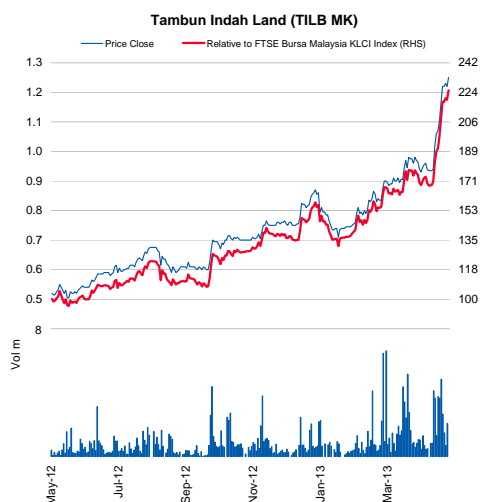
Property - Real Estate

 Target Price: **MYR1.55**

Market Cap: USD129m

 Price: **MYR1.25**

And The Beat Goes On

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	1.55m/0.51m
Cons. Upside (%)	24.0
Upside (%)	24.0
52-wk Price low/high (MYR)	0.51 - 1.25
Free float (%)	5353.0

Shareholders (%)	
Ir. Teh Kiak Seng	47.0

Shariah compliant

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TILB remains our top pick for small cap property developers. Fair value is raised to MYR1.55. Industrial activities were robust when we visited the Batu Kawan industrial area. Re-rating on real estate values is in the process, with a few developers being expected to enter the mainland in a big way. TILB will benefit the most given its cheap land cost. Higher selling prices will drive GDV and margin expansion.

- ◆ **Burgeoning industrial activities on mainland.** We were honoured to be hosted by Steve Neoh, the financial controller of Tambun Indah (TILB), to have a site visit around Pearl City and Batu Kawan industrial areas. Compared to our previous visit in Oct 2012, the new Honda plant is now up and running, with hundreds cars parking in front of the office. A few more plants have also been built. Meanwhile, construction works of the interchanges from the Penang Second Bridge (PSB) are still ongoing.
- ◆ **Competitors' landbanking will set new benchmark for real estate on mainland.** Based on our discussions with many developers, mainland Penang is now a key landbanking destination. This is beneficial to TILB, as the potential entrance of these competitors is likely to set new benchmark for land and property prices on the mainland. Essentially, this means an expansion of Pearl City's GDV and margin. We are not concerned on the potential competition, as TILB's average land cost for Pearl City is only at MYR11 psf. Other competitors will have to enter at higher prices given the current market value of MYR20-25 psf for land at Batu Kawan/Simpang Empat areas.
- ◆ **Shareholder profile getting institutionalised.** A few institutional funds have emerged in TILB's shareholding list this year. Given the political landscape after the 13th GE, as more investors recognise the prospects on the mainland, we believe TILB's stronger shareholder profile will lead to better liquidity and higher valuations going forward.
- ◆ **Reiterate Buy; fair value raised to MYR1.55.** In less than five months, TILB will be able to unlock the value of Pearl City. According to Jambatan Kedua Sdn Bhd, the PSB is on schedule to open in Sept. Given the immediate growth prospects, we further narrow our discount to RNAV to 15%. Our valuations have also built in some "scarcity premium", given the limited number of pure mainland Penang plays available. Our fair value is revised up to MYR1.55 (from MYR1.28), suggesting an implied PE of 7.9x for FY14, still rather decent in our view.

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (MYRm)	40	192	297	376	475
Recurring net profit (MYRm)	25.2	23.4	40.8	50.2	62.6
Net profit growth (%)	0.0	(7.3)	74.6	23.1	24.7
EPS (MYR)	0.27	0.15	0.15	0.16	0.20
DPS (MYR)	0.00	0.05	0.05	0.06	0.07
Dividend Yield (%)	0.0	4.3	3.7	4.6	5.7
Return on average assets (%)	0.0	8.7	10.7	10.2	10.6
Return on average equity (%)	0.0	17.0	21.6	21.0	22.8
P/E (x)	4.68	8.43	8.14	7.74	6.20
P/B (x)	0.99	1.78	1.74	1.53	1.32
Net debt to equity (%)	(3.1)	20.6	(4.6)	(3.4)	(5.6)

Source: Company data, RHB Estimates

Figure 1 Location of the new Raintree Park @ Pearl City



Source: RHBRI

Figure 2 Construction progress at the interchange from PSB



Source: RHBRI

Figure 3 The completed Boon Siew Honda plant at Batu Kawan industrial site



Source: RHBRI

Figure 4 The new VAT plant at Batu Kawan industrial site



Source: RHBRI

Figure 5: RNAV for TILB

New projects	Total GDV (MYR mil)	Land size (acres)	Equity stake	NPV @ 9.5%
<u>Ongoing projects</u>				
Dahlia Park	46.3		100%	7.3
Tanjung Heights	57.3		100%	9.0
Pearl Villas	144.5		70%	15.2
Juru Industrial Park	37.1		100%	5.8
Capri Park	51.1		100%	8.0
Pearl Square	73.1		60%	7.7
Pearl Indah	176.0		60%	17.6
Carissa Villa	54.2	4.4	100%	8.5
BM Residence	56.4	5.2	100%	9.8
Pearl Residence 1	212.5	39.7	70%	25.0
Pearl Impian	84.4	15.6	60%	8.8
Straits Garden	254.2	4.2	100%	38.2
<u>Remaining projects</u>				
Taman Bukit Residence	55.8	8.0	100%	8.8
Camellia Park	40.0	3.3	100%	6.0
Seri Permai	18.6	3.9	50%	1.5
Pearl Avenue	142.0	17.6	60%	17.1
Pearl Residence 2	201.0	44.3	70%	25.9
Pearl Residence 3	420.0	101.8	60%	46.3
Other phases - Pearl City	1,250.0	380.7	60%	126.9
Total				393.53
Shareholders' fund				223.22
Warrants proceed				26.52
Total RNAV				643.26
Shares base incl. warrants (mil)				353.60
FD RNAV per share (MYR)				1.82
Discount				15%
Fair value per share				1.55

Source: Company, RHB estimates

Financial Exhibits

Profit & Loss (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover	40	192	297	376	475
Cost of sales	(28)	(131)	(193)	(248)	(314)
Gross profit	12	61	104	129	161
Gen & admin expenses	(1)	(15)	(24)	(31)	(39)
Other operating costs	17	1	2	2	2
Operating profit	28	47	81	99	123
Operating EBITDA	28	47	81	100	124
Depreciation of fixed assets	(0)	(0)	(1)	(1)	(1)
Operating EBIT	28	47	81	99	123
Net income from investments	-	(0)	1	-	-
Interest income	0	1	-	-	-
Interest expense	-	(1)	(2)	(4)	(4)
Pre-tax profit	28	47	79	96	119
Taxation	(2)	(13)	(22)	(26)	(33)
Minority interests	(1)	(10)	(16)	(19)	(24)
Profit after tax & minorities	25	23	41	50	63
Reported net profit	25	23	41	50	63
Recurring net profit	25	23	41	50	63

Source: Company data, RHB Estimates

Cash flow (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Operating profit	28	47	81	99	123
Depreciation & amortisation	0	0	1	1	1
Change in working capital		(61)	24	(23)	(34)
Other operating cash flow	(39)	(18)	3	(406)	(5)
Operating cash flow	(11)	(32)	108	(329)	85
Interest received	0	1	-	-	-
Interest paid	-	(1)	(2)	(4)	(4)
Tax paid		(13)	(22)	(26)	(33)
Cash flow from operations	(10)	(45)	84	(359)	48
Capex	(49)	(34)	(45)	(30)	(20)
Other investing cash flow	88	28	(8)	-	-
Cash flow from investing activities	39	(6)	(53)	(30)	(20)
Dividends paid		-	(12)	(14)	(18)
Proceeds from issue of shares		24	42	-	-
Increase in debt	-	55	6	-	-
Other financing cash flow	(45)	(16)	(10)	421	(0)
Cash flow from financing activities	(45)	63	26	407	(18)
Cash at beginning of period	43	27	39	96	114
Total cash generated	(16)	12	57	18	10
Implied cash at end of period	27	39	96	114	125

Source: Company data, RHB Estimates

Financial Exhibits

Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	27	39	96	114	125
Inventories	65	116	129	164	207
Accounts receivable	58	65	71	89	113
Other current assets	2	1	1	1	1
Total current assets	153	222	297	369	446
Total investments	-	2	5	5	5
Tangible fixed assets	62	96	140	169	188
Intangible assets	0	2	-	-	-
Total other assets	-	1	1	1	1
Total non-current assets	62	100	146	176	195
Total assets	215	322	444	545	641
Short-term debt	18	6	7	17	17
Accounts payable	55	50	93	124	156
Other current liabilities	2	4	3	3	3
Total current liabilities	76	60	103	144	176
Total long-term debt	5	72	77	87	87
Other liabilities	1	3	2	2	2
Total non-current liabilities	6	75	79	89	89
Total liabilities	82	135	182	233	265
Share capital	95	111	155	155	155
Retained earnings reserve	25	38	60	91	131
Other reserves	-	6	8	8	8
Shareholders' equity	120	155	223	255	294
Minority interests	14	32	39	58	82
Total equity	134	187	262	312	376
Total liabilities & equity	215	322	444	545	641

Source: Company data, RHB Estimates

Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	0.0	384.4	54.8	26.8	26.1
Operating profit growth (%)	0.0	65.0	72.6	23.1	24.2
Net profit growth (%)	0.0	(7.3)	74.6	23.1	24.7
EPS growth (%)	0.0	(44.5)	3.6	5.3	24.7
Bv per share growth (%)	0.0	(44.5)	2.2	14.0	15.6
Operating margin (%)	71.5	24.4	27.2	26.4	26.0
Net profit margin (%)	63.7	12.2	13.7	13.3	13.2
Return on average assets (%)	0.0	8.7	10.7	10.2	10.6
Return on average equity (%)	0.0	17.0	21.6	21.0	22.8
Net debt to equity (%)	(3.1)	20.6	(4.6)	(3.4)	(5.6)
DPS	0.00	0.05	0.05	0.06	0.07
Recurrent cash flow per share	(0.11)	(0.28)	0.32	(1.15)	0.16

Source: Company data, RHB Estimates

SWOT Analysis

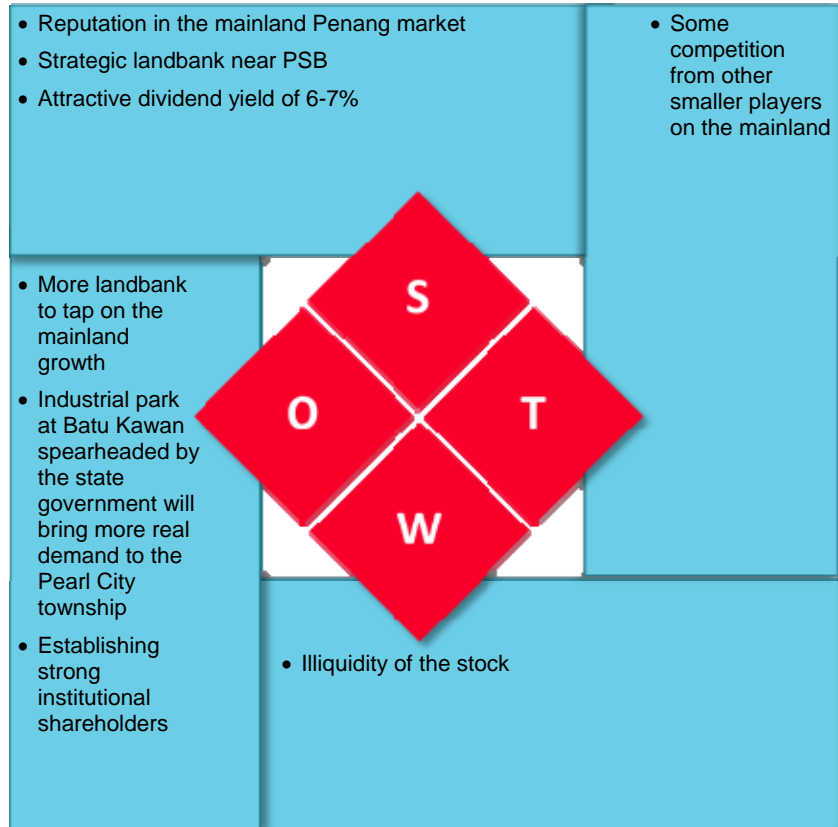
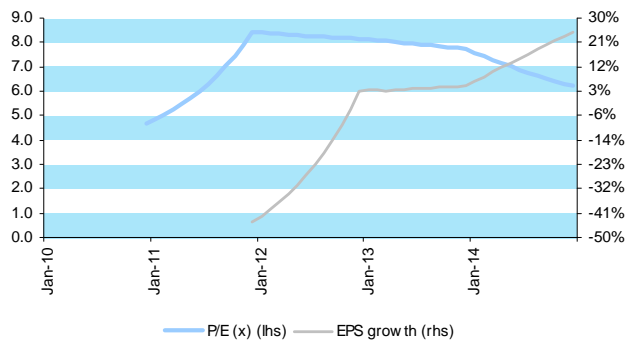


Figure 6

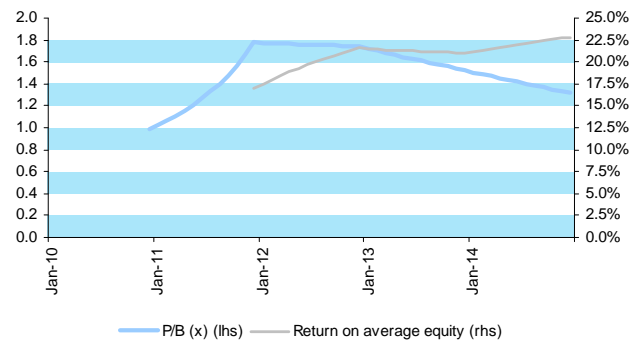
P/E (x) vs EPS growth



Source: Company data, RHB Estimates

Figure 7

P/BV (x) vs ROAE

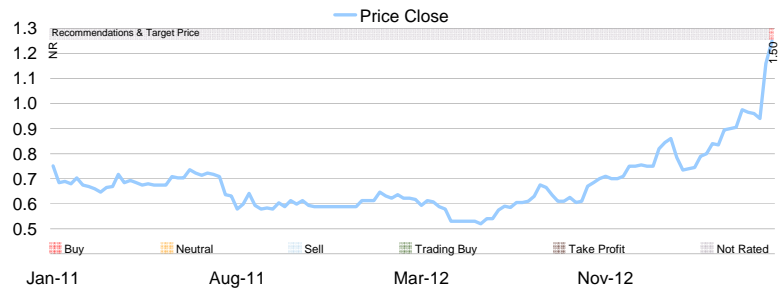


Source: Company data, RHB Estimates

Company Profile

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

Recommendation Chart



Source: RHB Estimates, Bloomberg

Date	Recommendation	Target Price	Price
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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