

Tambun Indah Land (TILB MK)

Property - Real Estate

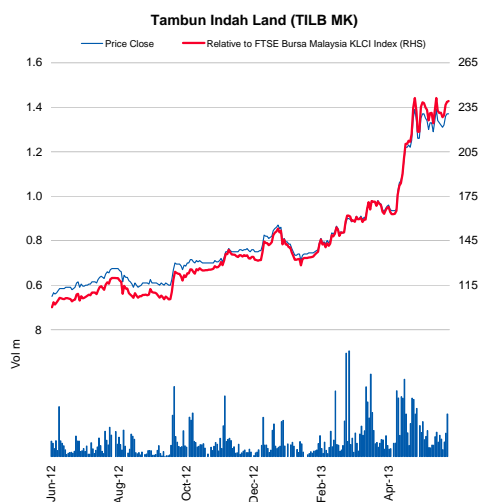
Market Cap: USD136m

Buy (Maintained)

Target Price: MYR1.82

Price: MYR1.37

A Strategic Value-Enhancing Move

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	2.02m/0.66m
Cons. Upside (%)	13.1
Upside (%)	32.8
52-wk Price low/high (MYR)	0.54 - 1.39
Free float (%)	53
Shareholders (%)	
Ir. Teh Kiak Seng	47.0

Shariah compliant

Loong Kok Wen CFA +603 9280 2237

loong.kok.wen@rhb.com.my

We raise our fair value to MYR1.82 and maintain our Buy rating on the stock. We view Tambun Indah's (TILB) acquisition of the minority stake in Pearl City positively, given the resulted RNAV and EPS enhancement. We also bump up our GDV for Pearl City by 26%, as the latest launching price has way exceeded the price assumption for the previous GDV estimate. FY14 PE is compressed back to an undemanding level of 6.4x.

- ◆ **Pearl City is now 100% owned.** TILB is acquiring the minority stake in Pearl City from Nadayu for a consideration of MYR112.2m, to be satisfied via MYR40.7m cash and 55m shares issued at MYR1.30 each (worth MYR71.5m). Meanwhile, TILB has also announced its proposed private placement of 15m shares. Proceeds will be used to partly fund the deal and future new landbank acquisition. At the same time, it will also further enhance TILB's institutional shareholder profile.
- ◆ **A good deal.** Based on our minority interest estimate of MYR23-24m (only for Pearl City), the transaction is valued at a PE of only 4.7x. Upon completion of the deal in Sept, Nadayu will emerge as the second largest shareholder, with a shareholding of about 13-14%, and Mr Teh's shareholding will be lowered to about 38-39%. The composition of board members and control will remain unchanged. After factoring in the impact of the deal, our RNAV/share estimate is enhanced by 14 sen.
- ◆ **Upward revision in Pearl City's GDV.** We are impressed with the management ability to buyout the minority stake in Pearl City. TILB now claims the full ownership of its crown jewel and it is a motivational deal for the management. This has always been the ideal situation as minority interest in P/L will be largely wiped out, and net profit will see a quantum leap immediately. Net profit could potentially hit MYR100m mark in FY15. We raise our GDV estimate for Pearl City by 26%, as the recent launch of terraces at Pearl Residence has already achieved an ASP of MYR438k/unit, vs. the price assumption of MYR350k for the previous GDV estimate. Our RNAV/share is boosted by an additional 18 sen.
- ◆ **No dilution.** Our FY13-14 net profit forecasts are raised by 9-37%. After factoring in the larger share base, our FY14 EPS estimate is enhanced by 9.2%, and FY14 DPS is now 7.8 sen vs. 7.2 sen previously.
- ◆ **Our top small cap pick.** Our fair value on TILB is raised to MYR1.82 (from MYR1.55), based on an unchanged 15% discount to RNAV. BUY.

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	54.9	85.5
Recurring net profit growth (%)	0.0	(7.3)	74.6	34.5	55.7
EPS (MYR)	0.27	0.11	0.13	0.16	0.21
DPS (MYR)	0.00	0.05	0.05	0.06	0.08
Dividend Yield (%)	0.0	3.9	3.4	4.2	5.5
Return on average assets (%)	0.0	8.7	10.7	11.7	15.4
Return on average equity (%)	0.0	17.0	21.6	23.4	29.6
P/E (x)	5.1	13.0	10.4	8.4	6.4
P/B (x)	1.08	1.95	1.91	1.86	1.64
Net debt to equity (%)	(3.1)	20.6	(4.6)	14.9	1.0

Source: Company data. RHB estimates

Pricing and the placement. Based on the announcement, the 55m new shares to Nadayu will be issued at MYR1.30. This is based on a discount of about 3.7% from the 5-day VWAMP of TILB shares up to and including 20th Jun 2013. Note that, under the SPA with Nadayu, the issue price of the placement shares should not be less than MYR1.30. Therefore, we estimate that, TILB will raise about MYR20m from the placement exercise. TILB's balance sheet strength is solid enough to undertake the acquisition. With some new borrowings of about MYR30m, we expect TILB's net gearing to rise to over 10% from the current 4% upon the completion of the transaction and the placement exercise. An EGM will be called to approve the proposals.

Figure 1: 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		100%	21.7
Juru Industrial Park	37.1		100%	5.8
Capri Park	51.1		100%	8.0
Pearl Square	73.1		100%	12.8
Pearl Indah	176.0		100%	29.4
Carissa Villa	54.2	4.4	100%	9.5
BM Residence	56.4	5.2	100%	9.8
Pearl Residence 1	212.5	39.7	100%	37.4
Pearl Impian	84.4	15.6	100%	14.7
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	100%	29.7
Pearl Residence 2	231.2	44.3	100%	42.5
Pearl Residence 3	483.0	101.8	100%	88.8
Other phases - Pearl City	1,570.0	290.0	100%	265.6
Total				646.59
Shareholders' fund				214.72
Warrants proceed				26.52
Placement proceed (@ MYR1.30/share)				19.50
Total RNAV				907.32
Shares base incl. warrants & placement (mil)				423.60
FD RNAV per share (MYR)				2.14
Discount				15%
Fair value per share				1.82

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	95	119
Taxation	(2)	(13)	(22)	(26)	(33)
Minority interests	(1)	(10)	(16)	(14)	(1)
Profit after tax & minorities	25	23	41	55	86
Reported net profit	25	23	41	55	86
Recurring net profit	25	23	41	55	86

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	(328)	86
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)	(20)	(20)
Other investing cash flow	88	28	(8)	-	-
Cash flow from investing activities	39	(6)	(53)	(20)	(20)
Dividends paid		-	(12)	(14)	(19)
Proceeds from issue of shares		24	42	-	-
Increase in debt	-	55	6	-	-
Other financing cash flow	(45)	(16)	(10)	373	23
Cash flow from financing activities	(45)	63	26	359	4
Cash at beginning of period	43	27	39	96	76
Total cash generated	(16)	12	57	(20)	32
Implied cash at end of period	27	39	96	76	108

Source: Company data, RHB estimates

Financial Exhibits

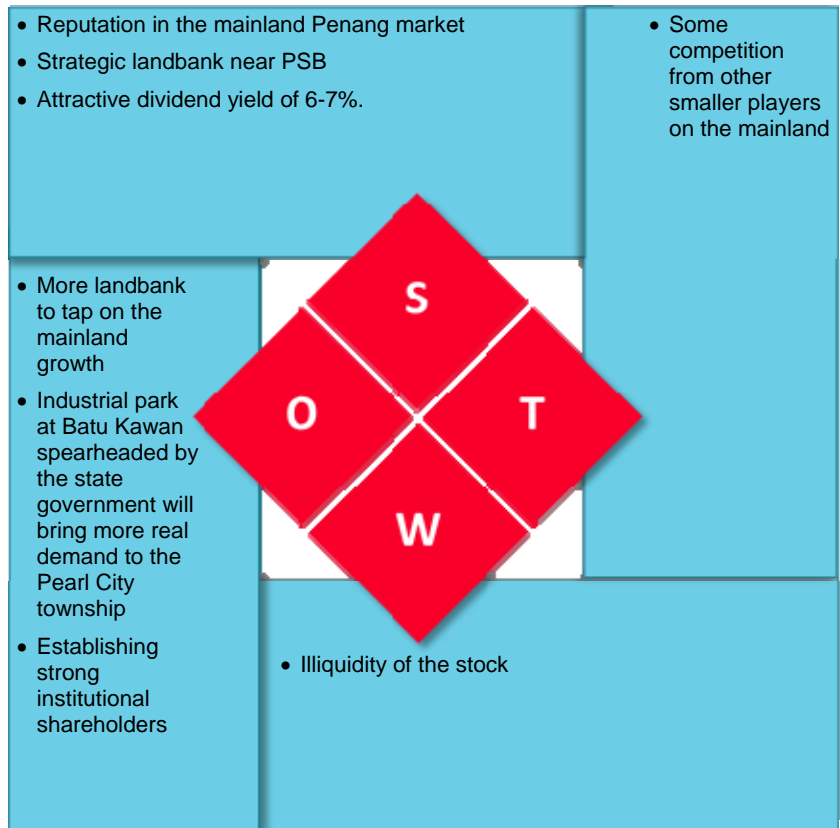
Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	27	39	96	76	110
Inventories	65	116	129	164	207
Accounts receivable	58	65	71	89	113
Other current assets	2	1	1	1	1
Total current assets	153	222	297	331	432
Total investments	-	2	5	5	5
Tangible fixed assets	62	96	140	159	179
Intangible assets	0	2	-	-	-
Total other assets	-	1	1	1	1
Total non-current assets	62	100	146	166	185
Total assets	215	322	444	497	616
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	97	97
Other liabilities	1	3	2	2	2
Total non-current liabilities	6	75	79	99	99
Total liabilities	82	135	182	243	275
Share capital	95	111	155	167	200
Retained earnings reserve	25	38	60	15	69
Other reserves	-	6	8	64	64
Shareholders' equity	120	155	223	246	333
Minority interests	14	32	39	8	9
Other equity	-	-	-	0	-
Total equity	134	187	262	254	341
Total liabilities & equity	215	322	444	497	616

Source: Company data, RHB estimates

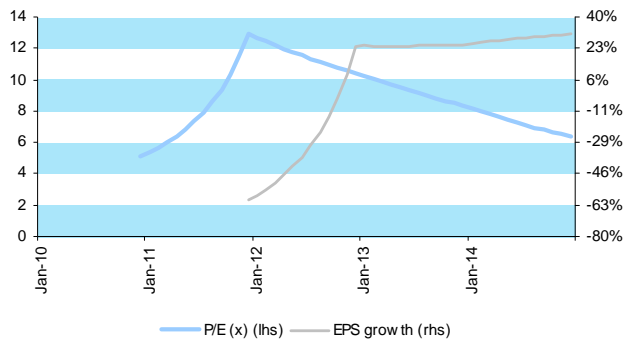
Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	0.0	384.4	54.8	26.8	26.1
Operating profit growth (%)	0.0	65.0	72.6	23.1	24.2
Net profit growth (%)	0.0	(7.3)	74.6	34.5	55.7
EPS growth (%)	0.0	(60.4)	24.1	24.9	30.6
Bv per share growth (%)	0.0	(44.5)	2.2	2.3	13.4
Operating margin (%)	71.5	24.4	27.2	26.4	26.0
Net profit margin (%)	63.7	12.2	13.7	14.6	18.0
Return on average assets (%)	0.0	8.7	10.7	11.7	15.4
Return on average equity (%)	0.0	17.0	21.6	23.4	29.6
Net debt to equity (%)	(3.1)	20.6	(4.6)	14.9	1.0
DPS	0.00	0.05	0.05	0.06	0.08
Recurrent cash flow per share	(0.11)	(0.20)	0.27	(1.07)	0.12

Source: Company data, RHB estimates

SWOT Analysis

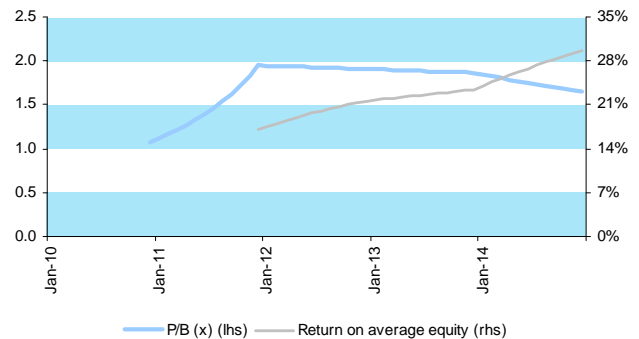


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE

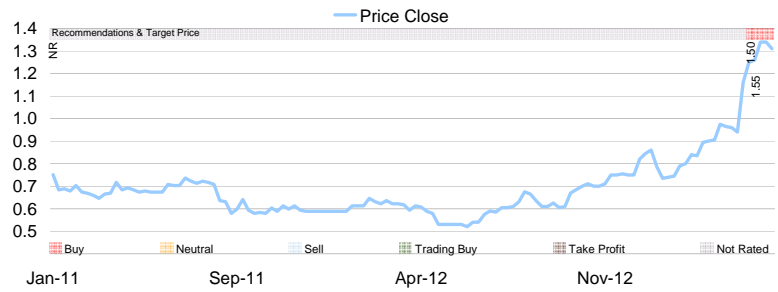


Source: Company data, RHB estimates

Company Profile

Tambun Indah Land 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
2013-06-07	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

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