

# Tambun Indah Land (TILB MK)

Property - Real Estate  
Market Cap: USD143m

**Buy** (Maintained)

Target Price: MYR1.71  
Price: MYR1.43

## Raising The Sales Forecast

Macro   
Risks   
Growth   
Value



Source: Bloomberg

Avg Turnover (MYR/USD)	1.75m/0.57m
Cons. Upside (%)	8.4
Upside (%)	19.6
52-wk Price low/high (MYR)	0.59 - 1.43
Free float (%)	53

Shareholders (%)	
Ir. Teh Kiak Seng	47.0

Shariah compliant

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With our confidence on Tambun Indah Land (TILB) reinforced, we raise our FY13 sales forecast to MYR500m. We believe its share price could see an upside from the increase in news flow of investments into mainland Penang, eg a US-based medical devices manufacturer's plans to set up a plant at Batu Kawan Industrial Park and IJMLD's recent acquisition of 70 acres of land in Jawi.

- ◆ **Placement price set at MYR1.32.** Last Friday, TILB fixed the issue price of its 15m placement shares at MYR1.32. This represents a 3.65% discount to the five-day VWAP, up to and including 18 July. Proceeds from the placement will be utilised to partly fund the acquisition of a minority stake in Pearl City from Nadayu Properties (Not Rated, NPB MK). Our valuations reflect the impact from this corporate exercise.
- ◆ **Raising sales forecast to MYR500m.** We believe TILB's annualised 1HFY13 property sales (1QFY13 sales: MYR172.3m) could potentially surpass our earlier forecast of MYR450m. The take-up rate of recent launches, such as *Straits Garden* and *Pearl Avenue* shop lots, exceeded 70%. As at May 2013, its unbilled sales amounted to MYR500m.
- ◆ **Job opportunities underpin demand for properties.** News flows focusing on mainland Penang are increasing. Recently, a US based medical devices manufacturer announced plans to set up a plant on 12-acres at Batu Kawan Industrial Park. The facility, which will create 700 jobs, will be completed by end-2014 and start production in 1QCY15.
- ◆ **Penang mainland now a hot area.** As expected, the bigger boys are coming into the mainland. IJM Land (BUY, IJMLD MK, FV: MYR3.55) has further expanded its presence there by acquiring 70 acres of land in Jawi at a land cost of MYR18.50 per sq ft. This has set a benchmark price for land in the surrounding areas. In our view, the value for TILB's *Pearl City* should be higher, given that the area is more developed and closer to the Penang Second Bridge. The Group's product prices and gross development value (GDV) will likely see more upside.
- ◆ **Maintain Buy.** TILB remains our top pick. It is the best proxy for mainland Penang property theme, that is well-supported by strong earnings fundamentals. Valuations are still undemanding at 6.7x FY14F P/E. We re-iterate our BUY recommendation, with an unchanged fair value of MYR1.71, based on a 20% discount to RNAV.

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	3.7	3.3	4.1	5.3
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)	5.4	13.5	10.9	8.7	6.7
P/B (x)	1.13	2.03	1.99	1.95	1.72
Net debt to equity (%)	(3.1)	20.6	(4.6)	14.9	1.0

Source: Company data, RHB estimates

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
<b>Total</b>				<b>646.59</b>
Shareholders' fund				214.72
Warrants proceed				26.52
Placement proceed (@ MYR1.32/share)				19.80
Total RNAV				907.62
Shares base incl. warrants & placement (mil)				423.60
FD RNAV per share (MYR)				2.14
Discount				20%
Fair value per share				1.71

Source: Company, RHB estimates

## Financial Exhibits

<b>Profit &amp; Loss (MYRm)</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>
Total turnover	40	192	297	376	475
Cost of sales	(28)	(131)	(193)	(248)	(314)
<b>Gross profit</b>	<b>12</b>	<b>61</b>	<b>104</b>	<b>129</b>	<b>161</b>
Gen & admin expenses	(1)	(15)	(24)	(31)	(39)
Other operating costs	17	1	2	2	2
<b>Operating profit</b>	<b>28</b>	<b>47</b>	<b>81</b>	<b>99</b>	<b>123</b>
Operating EBITDA	28	47	81	100	124
Depreciation of fixed assets	(0)	(0)	(1)	(1)	(1)
<b>Operating EBIT</b>	<b>28</b>	<b>47</b>	<b>81</b>	<b>99</b>	<b>123</b>
Net income from investments	-	(0)	1	-	-
Interest income	0	1	-	-	-
Interest expense	-	(1)	(2)	(4)	(4)
<b>Pre-tax profit</b>	<b>28</b>	<b>47</b>	<b>79</b>	<b>95</b>	<b>119</b>
Taxation	(2)	(13)	(22)	(26)	(33)
Minority interests	(1)	(10)	(16)	(14)	(1)
<b>Profit after tax &amp; minorities</b>	<b>25</b>	<b>23</b>	<b>41</b>	<b>55</b>	<b>86</b>
<b>Reported net profit</b>	<b>25</b>	<b>23</b>	<b>41</b>	<b>55</b>	<b>86</b>
<b>Recurring net profit</b>	<b>25</b>	<b>23</b>	<b>41</b>	<b>55</b>	<b>86</b>

Source: Company data, RHB estimates

<b>Cash flow (MYRm)</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>
<b>Operating profit</b>	<b>28</b>	<b>47</b>	<b>81</b>	<b>99</b>	<b>123</b>
<b>Depreciation &amp; amortisation</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Change in working capital</b>		<b>(61)</b>	<b>24</b>	<b>(23)</b>	<b>(34)</b>
Other operating cash flow	(39)	(18)	3	(406)	(5)
<b>Operating cash flow</b>	<b>(11)</b>	<b>(32)</b>	<b>108</b>	<b>(328)</b>	<b>86</b>
Interest received	0	1	-	-	-
Interest paid	-	(1)	(2)	(4)	(4)
Tax paid		(13)	(22)	(26)	(33)
<b>Cash flow from operations</b>	<b>(10)</b>	<b>(45)</b>	<b>84</b>	<b>(359)</b>	<b>48</b>
Capex	(49)	(34)	(45)	(20)	(20)
Other investing cash flow	88	28	(8)	-	-
<b>Cash flow from investing activities</b>	<b>39</b>	<b>(6)</b>	<b>(53)</b>	<b>(20)</b>	<b>(20)</b>
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
<b>Cash flow from financing activities</b>	<b>(45)</b>	<b>63</b>	<b>26</b>	<b>359</b>	<b>4</b>
Cash at beginning of period	43	27	39	96	76
<b>Total cash generated</b>	<b>(16)</b>	<b>12</b>	<b>57</b>	<b>(20)</b>	<b>32</b>
<b>Implied cash at end of period</b>	<b>27</b>	<b>39</b>	<b>96</b>	<b>76</b>	<b>108</b>

Source: Company data, RHB estimates

## Financial Exhibits

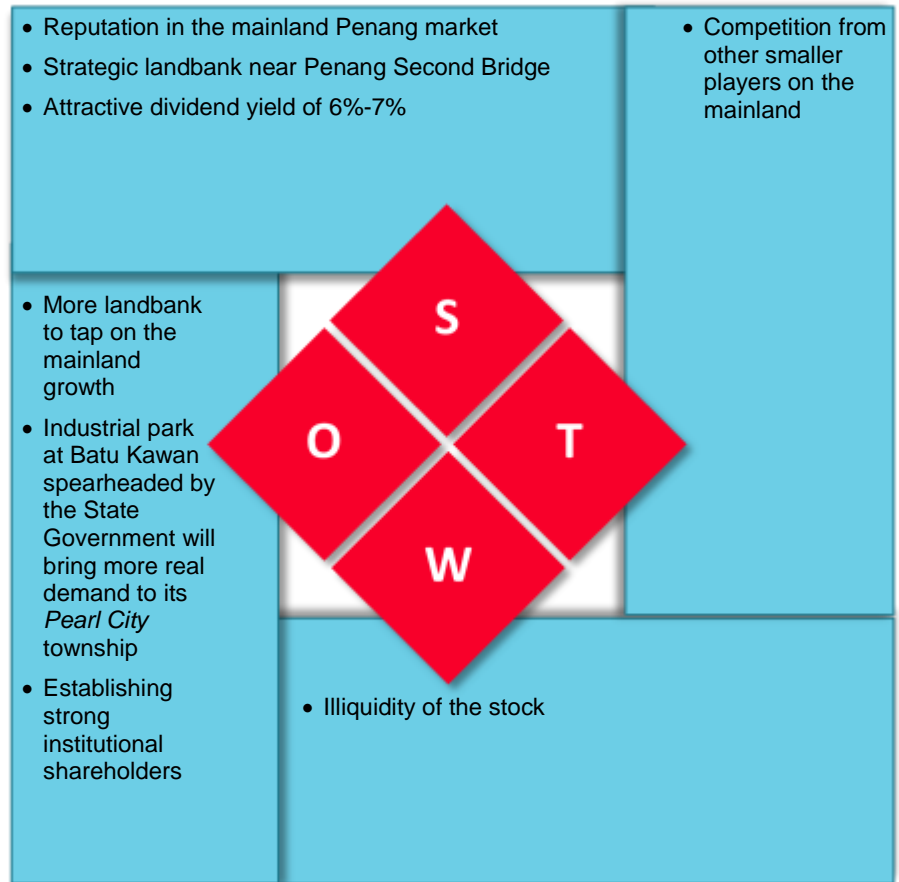
Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	27	39	96	76	110
Inventories	65	116	129	164	207
Accounts receivable	58	65	71	89	113
Other current assets	2	1	1	1	1
<b>Total current assets</b>	<b>153</b>	<b>222</b>	<b>297</b>	<b>331</b>	<b>432</b>
Total investments	-	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
<b>Total assets</b>	<b>215</b>	<b>322</b>	<b>444</b>	<b>497</b>	<b>616</b>
Short-term debt	18	6	7	17	17
Accounts payable	55	50	93	124	156
Other current liabilities	2	4	3	3	3
<b>Total current liabilities</b>	<b>76</b>	<b>60</b>	<b>103</b>	<b>144</b>	<b>176</b>
Total long-term debt	5	72	77	97	97
Other liabilities	1	3	2	2	2
<b>Total non-current liabilities</b>	<b>6</b>	<b>75</b>	<b>79</b>	<b>99</b>	<b>99</b>
<b>Total liabilities</b>	<b>82</b>	<b>135</b>	<b>182</b>	<b>243</b>	<b>275</b>
Share capital	95	111	155	167	200
Retained earnings reserve	25	38	60	15	69
Other reserves	-	6	8	64	64
<b>Shareholders' equity</b>	<b>120</b>	<b>155</b>	<b>223</b>	<b>246</b>	<b>333</b>
Minority interests	14	32	39	8	9
Other equity	-	-	-	0	-
<b>Total equity</b>	<b>134</b>	<b>187</b>	<b>262</b>	<b>254</b>	<b>341</b>
<b>Total liabilities &amp; equity</b>	<b>215</b>	<b>322</b>	<b>444</b>	<b>497</b>	<b>616</b>

Source: Company data, RHB estimates

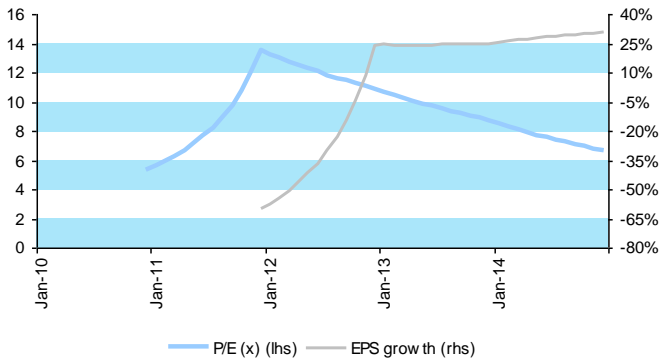
Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	0.0	384.4	54.8	26.8	26.1
Operating profit growth (%)	0.0	65.0	72.6	23.1	24.2
Net profit growth (%)	0.0	(7.3)	74.6	34.5	55.7
EPS growth (%)	0.0	(60.4)	24.1	24.9	30.6
Bv per share growth (%)	0.0	(44.5)	2.2	2.3	13.4
Operating margin (%)	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

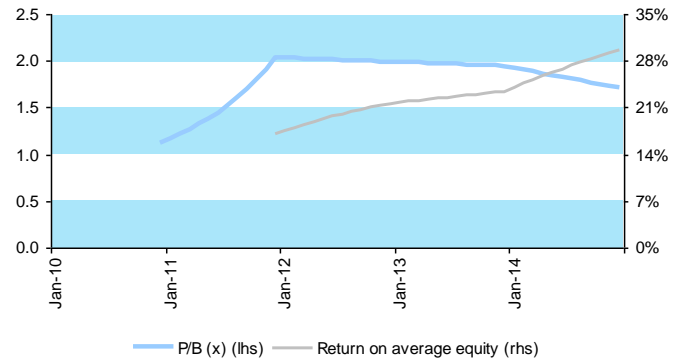


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE

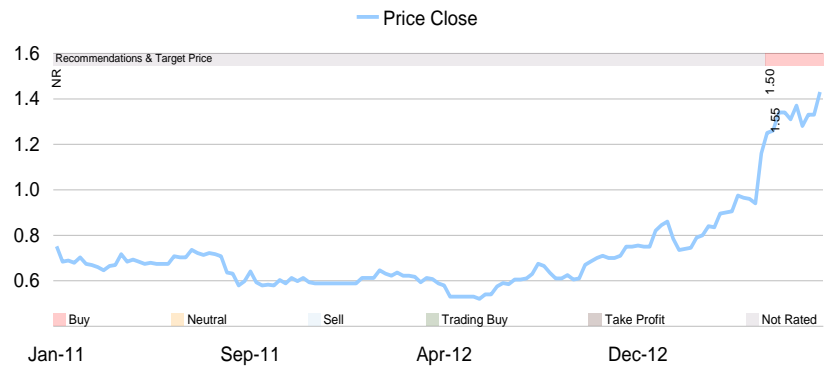


Source: Company data, RHB estimates

## Company Profile

Tambun Indah Land (TILB) is a developer based in mainland Penang. Its flagship township *Pearl City* is located at Simpang Empat, 15-min away from the Penang Second Bridge.

## 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

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