

Tambun Indah Land (TILB MK)

Property - Real Estate

Market Cap: USD157m

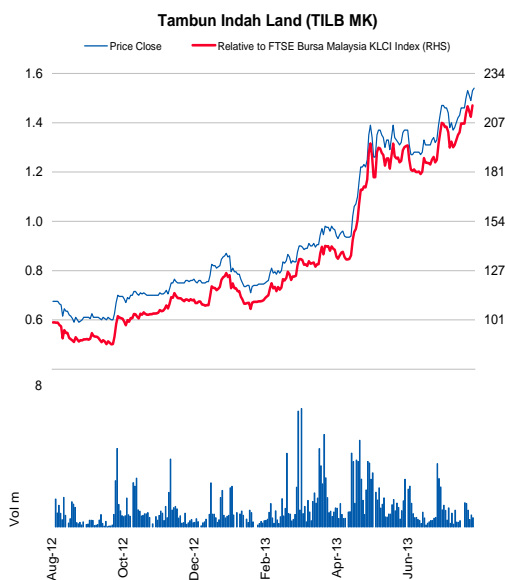
Buy (Maintained)

Target Price: MYR1.82

Price: MYR1.54

Strong As Expected

| | |
|--------|-----|
| Macro | ◆◆◆ |
| Risks | ◆◆ |
| Growth | ◆◆◆ |
| Value | ◆◆◆ |



Source: Bloomberg

| | |
|----------------------------|-------------|
| Avg Turnover (MYR/USD) | 1.47m/0.47m |
| Cons. Upside (%) | 0.6 |
| Upside (%) | 18.2 |
| 52-wk Price low/high (MYR) | 0.59 - 1.54 |
| Free float (%) | 53 |

| | |
|-------------------|------|
| Shareholders (%) | |
| Ir. Teh Kiak Seng | 45.0 |

Shariah compliant

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TILB's 2Q13 results came in within our expectation. Property sales in 1H increased to MYR343m from MYR177m in 1Q13. The Penang State Government recently called for request for proposal (RFP) for the development of an international theme park and golf course. These are expected to lift the development potential on the mainland to another level. We, therefore, raise our FV to MYR1.82. Maintain BUY.

- ◆ **Within expectations.** Tambun Indah (TILB)'s 2Q13 results came in line with our expectation. About 62.3% of the revenue from the property development division was contributed by the *Pearl City* township.
- ◆ **Property sales up to MYR343m.** 1H13 property sales surged 94% to MYR343m from MYR177m in 1Q. *Pearl Residence* (MYR115m), *Pearl Impian* (MYR49m), *Pearl Avenue* (MYR48m) and *Straits Garden* (MYR67m) were the key contributors. The average take-up rate achieved at its ongoing projects, with a GDV of MYR1.32bn, was 73.3%.
- ◆ **Placement exercise completed.** TILB recently completed a 15m share placement to two institutional funds at an issue price of MYR1.32 per share. Its market cap, as a result, rose to MYR515m. An EGM will likely be held in mid-Oct to seek shareholders' approval for the acquisition of the minority stake in the *Pearl City* project from Nadayu Properties (NPB; NR). Subsequently, 55m shares will be issued at MYR1.30 per share.
- ◆ **Forecasts.** We make no changes to our earnings forecasts. Unbilled sales amounted to MYR510m in 2Q13, from MYR425m in the previous quarter. TILB's earnings will be boosted from early-4Q onwards upon the completion of the acquisition from Nadayu, as the minority interest charge in the P&L will be largely eliminated
- ◆ **Maintain BUY.** We raise our FV to MYR1.82 (from MYR1.71), based on a lower 15% discount (from 20%) to RNAV. Further opportunities have opened up following the Penang State Government's recent call for RFP for the development of an international theme park and golf resort projects at Batu Kawan. Meanwhile, results of the RFP on the premium outlet are expected to be announced over the next few months. Acknowledging the positive spillover from these developments, the major shareholders of Asas Dunia, which owns 1,500 acres of land on Penang mainland, has recently offered to take over their company at MYR1.70 per share.

| Forecasts and Valuations | Dec-10 | Dec-11 | Dec-12 | Dec-13F | Dec-14F |
|---------------------------------|--------|--------|--------|---------|---------|
| Total turnover (MYRm) | 40 | 192 | 297 | 376 | 475 |
| Reported net profit (MYRm) | 25.2 | 23.4 | 40.8 | 54.9 | 85.5 |
| 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 | 3.5 | 3.0 | 3.8 | 4.9 |
| 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) | 5.8 | 14.6 | 11.7 | 9.4 | 7.2 |
| P/B (x) | 1.22 | 2.19 | 2.14 | 2.10 | 1.85 |
| Net debt to equity (%) | (3.1) | 20.6 | (4.6) | 14.9 | 1.0 |

Source: Company data, RHB estimates

Figure 1: TILB's quarterly results table

| FYE Dec (MYRm) | 2Q12 | 1Q13 | 2Q13 | QoQ (%) | YoY (%) | 1H12 | 1H13 | YoY (%) | Comments |
|-------------------|-------|-------|-------|---------|---------|--------|--------|---------|---|
| Turnover | 78.8 | 78.3 | 82.6 | 5.5 | 4.8 | 144.8 | 160.9 | 11.1 | Pearl City contributed 62.3% of the total revenue in the property development segment. |
| EBIT | 18.3 | 24.3 | 26.6 | 9.7 | 45.3 | 37.0 | 50.9 | 37.8 | |
| Net interest | (0.4) | (0.7) | (0.8) | 15.3 | 73.1 | (0.9) | (1.4) | 61.4 | |
| Pretax profit | 17.9 | 24.0 | 26.3 | 9.7 | 47.0 | 36.0 | 50.3 | 39.5 | |
| Taxation | (5.1) | (7.1) | (7.2) | 2.1 | 40.8 | (10.2) | (14.3) | 40.0 | |
| Minority interest | (3.3) | (5.2) | (5.1) | (1.7) | 55.9 | (7.2) | (10.3) | 43.0 | |
| Net profit | 9.5 | 11.7 | 14.0 | 19.3 | 47.3 | 18.7 | 25.7 | 37.8 | Within our expectation. |
| EPS (sen) | 3.8 | 3.8 | 4.5 | 18.4 | 18.0 | 7.9 | 8.2 | 3.8 | |
| Gross DPS (sen) | 0.0 | 0.0 | 0.0 | | | 2.0 | 0.0 | | |
| NTA/share (MYR) | 0.7 | 0.8 | 0.8 | | | 0.7 | 0.8 | | |
| EBIT margin (%) | 23.3 | 31.0 | 32.3 | | | 25.5 | 31.7 | | Higher gross margin in 1H13 was due to higher selling prices for the property products. |
| Pretax margin (%) | 22.7 | 30.6 | 31.8 | | | 24.9 | 31.2 | | |
| Tax rate (%) | 28.7 | 29.5 | 27.4 | | | 28.3 | 28.4 | | |

Source: RHB estimates

Figure 2: TILB's RNAV

| New projects | Total GDV (MYR m) | 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 (m) | | | | 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

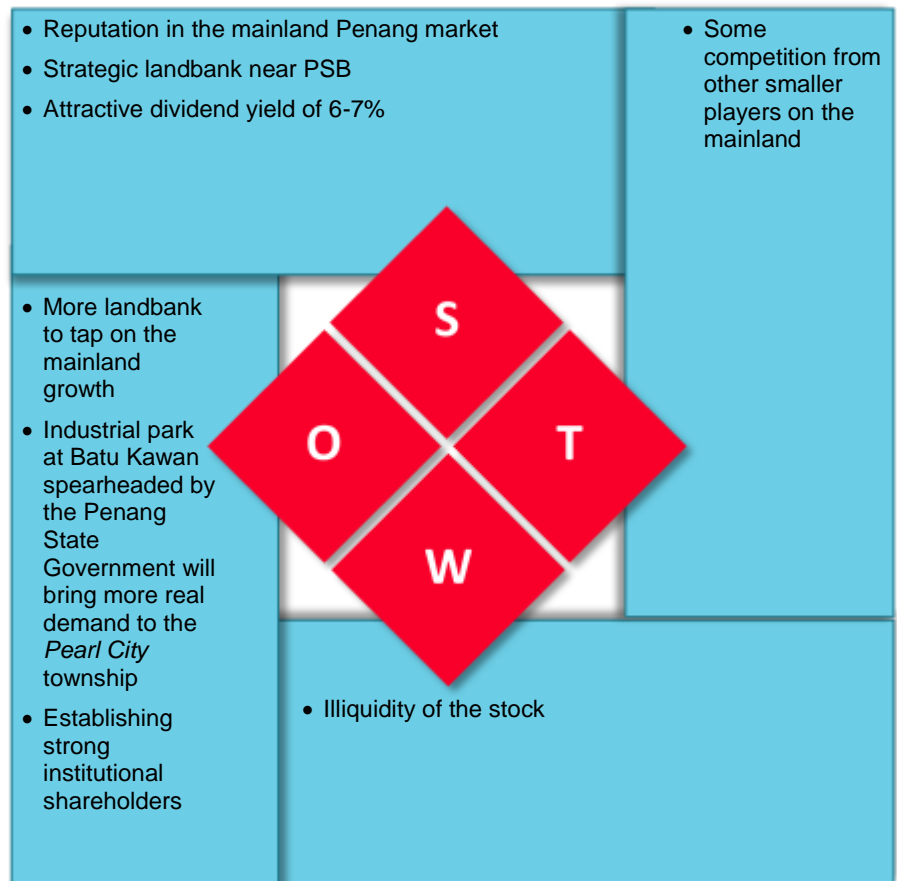
| Balance Sheet (MYRm) | Dec-10 | Dec-11 | Dec-12 | Dec-13F | Dec-14F |
|---------------------------------------|------------|------------|------------|------------|------------|
| Total cash and equivalents | 27 | 39 | 96 | 76 | 110 |
| Inventories | 65 | 116 | 129 | 164 | 207 |
| Accounts receivable | 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

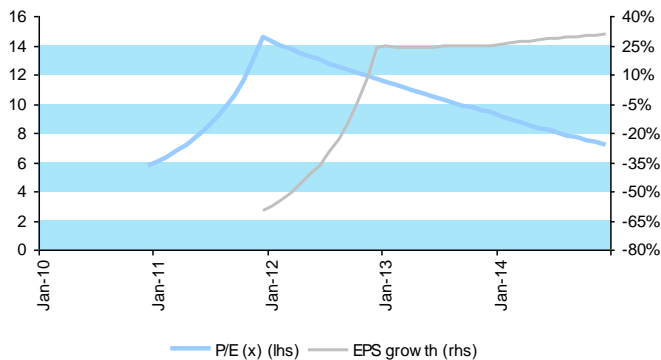
| Key Ratios (MYR) | Dec-10 | Dec-11 | Dec-12 | Dec-13F | Dec-14F |
|-------------------------------|--------|--------|--------|---------|---------|
| Revenue growth (%) | 0.0 | 384.4 | 54.8 | 26.8 | 26.1 |
| Operating profit growth (%) | 0.0 | 65.0 | 72.6 | 23.1 | 24.2 |
| Net profit growth (%) | 0.0 | (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

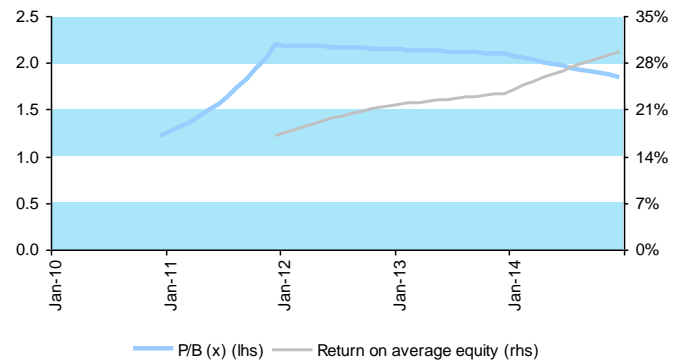


P/E (x) vs EPS growth



Source: Company data, RHB estimates

P/BV (x) vs ROAE



Source: Company data, RHB estimates

Company Profile

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

Recommendation Chart



Source: RHB estimates, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2013-07-22 | Buy | 1.71 | 1.47 |
| 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
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