

Tambun Indah Land (TILB MK)

Property - Real Estate

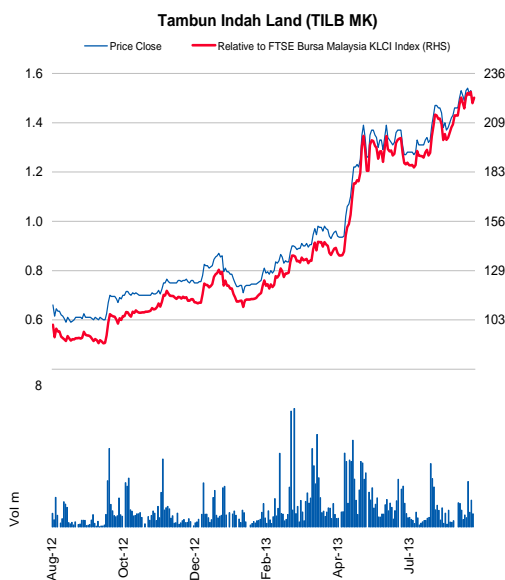
Market Cap: USD153m

Buy (Maintained)

Target Price: MYR1.82

Price: MYR1.50

Planning Well Ahead

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (MYR/USD)	1.37m/0.43m
Cons. Upside (%)	3.3
Upside (%)	21.3
52-wk Price low/high (MYR)	0.59 - 1.54
Free float (%)	53

Shareholders (%)	
Ir. Teh Kiak Seng	47.0

Shariah compliant

Loong Kok Wen CFA +603 9207 7614

loong.kok.wen@rhb.com.my

We came away from Tambun Indah (TILB)'s briefing last week feeling positive. Management has planned pipeline launches worth MYR2bn for FY14. The business park at *Pearl City* is also taking shape as TILB is close to inking a deal to set up an international school. We believe news flow on Batu Kawan and landbanking by other developers will be the stock's catalysts. We maintain our BUY rating and FV of MYR1.82.

- ◆ **MYR2bn projects in FY14.** TILB plans to release MYR129m worth of projects in 4Q13, in addition to MYR300m worth of unsold stock launched in the earlier quarters. The new projects are mainly outside *Pearl City* – *Taman Bukit Residence*, *Camellia Park* and *Permai Residence*. We look forward to FY14 as the new projects are largely concentrated in *Pearl City*, and will be launched on time for the opening of the Penang Second Bridge (PSB) in 1Q14. The few new phases, which are worth MYR2bn, are *Pearl Avenue* (shop offices), *Pearl Harmoni* and *Tropika* (terraces) and *Rain Tree Park 1* (gated homes) in *Pearl City*. We expect the average take-up rate to improve further from the current 73.3% as the industrial activities as well as some state-initiated developments in Batu Kawan continue to drive demand for properties on the mainland.
- ◆ **Amenities in business park taking shape.** *Pearl City's* 107-acre business park is making good progress. While construction on the shopping mall will start over the next few months, management is close to inking a deal with an international school operator, after which it will move on to the next component – a medical centre/hospital.
- ◆ **Eyeing more landbank to sustain growth.** Not content with just *Pearl City*, TILB plans to scout for other strategic landbank and replicate the success of *Pearl City*. Although there are no concrete deals as yet, the key target areas are other parts of Penang mainland and Rawang and Seremban in the Klang Valley.
- ◆ **Maintain Buy.** We remain positive on the stock as the major catalyst i.e. the PSB has yet to be opened officially. Meanwhile, news flow on Batu Kawan and landbanking by other developers will be TILB's re-rating catalysts. We maintain our Buy rating, with an unchanged FV of MYR1.82, at a 15% discount to RNAV.

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	3.6	3.1	3.9	5.1
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)	5.6	14.2	11.4	9.1	7.0
P/B (x)	1.18	2.13	2.09	2.04	1.80
Net debt to equity (%)	(3.1)	20.6	(4.6)	14.9	1.0

Source: Company data, RHB estimates

Figure 1: 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: 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

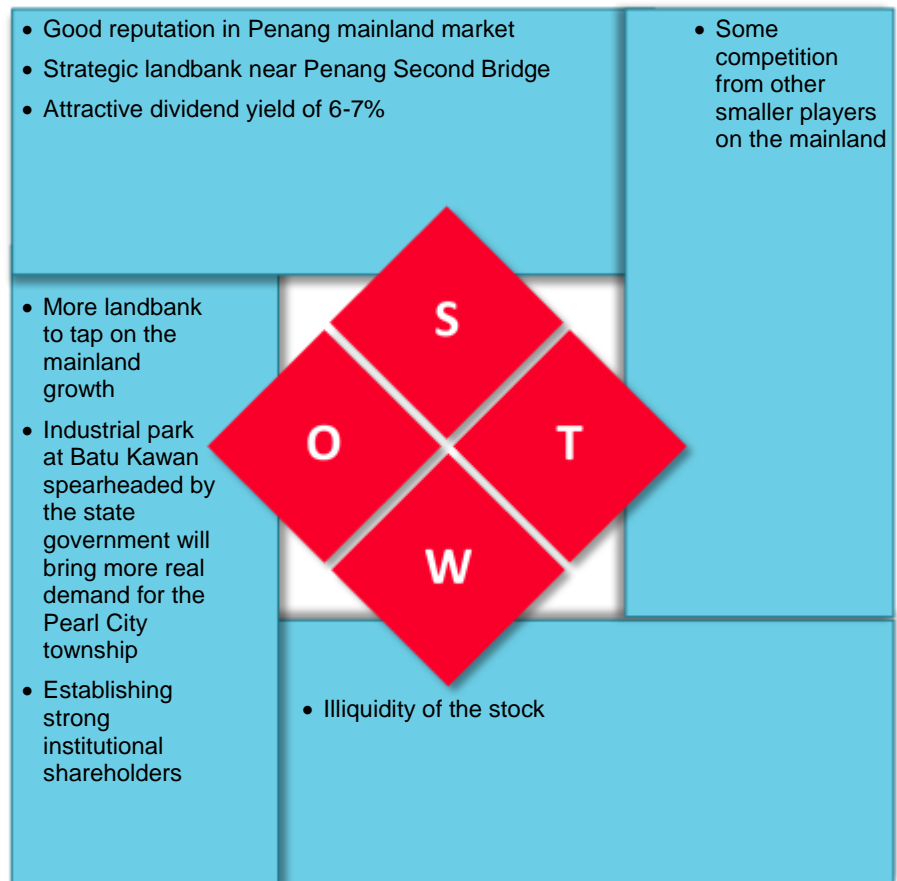
Balance Sheet (MYRm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total cash and equivalents	27	39	96	76	110
Inventories	65	116	129	164	207
Accounts receivable	58	65	71	89	113
Other current assets	2	1	1	1	1
Total current assets	153	222	297	331	432
Total investments	-	2	5	5	5
Tangible fixed assets	62	96	140	159	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

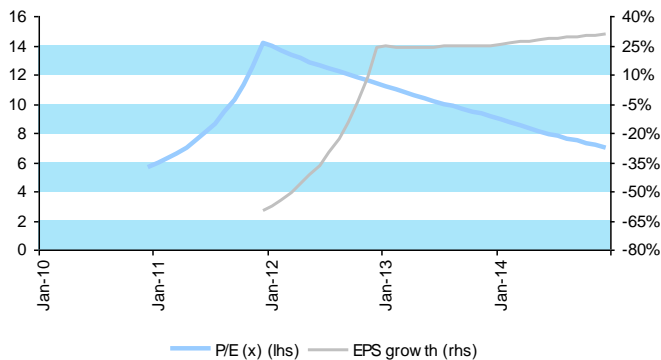
Key Ratios (MYR)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Revenue growth (%)	0.0	384.4	54.8	26.8	26.1
Operating profit growth (%)	0.0	65.0	72.6	23.1	24.2
Net profit growth (%)	0.0	(7.3)	74.6	34.5	55.7
EPS growth (%)	0.0	(60.4)	24.1	24.9	30.6
Bv per share growth (%)	0.0	(44.5)	2.2	2.3	13.4
Operating margin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

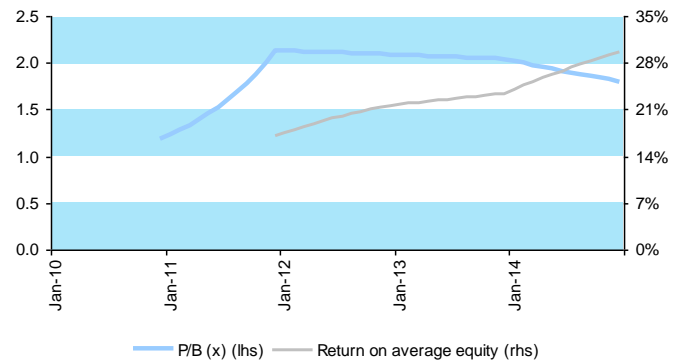


P/E (x) vs EPS growth



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 in Simpang Empat, 15 minutes away from the Penang Second Bridge.

Recommendation Chart



Source: RHB estimates, Bloomberg

Date	Recommendation	Target Price	Price
2013-08-20	Buy	1.82	1.52
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
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
Sell: Share price may fall by more than 10% over the next 12 months
Not Rated: Stock is not within regular research coverage

Disclosure & Disclaimer

All research is based on material compiled from data considered to be reliable at the time of writing, but RHB does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness. No part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. This report is general in nature and has been prepared for information purposes only. It is intended for circulation to the clients of RHB and its related companies. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is for the information of addressees only and is not to be taken in substitution for the exercise of judgment by addressees, who should obtain separate legal or financial advice to independently evaluate the particular investments and strategies.

RHB, its affiliates and related companies, their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities. Further, RHB, its affiliates and related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such investment, advisory or other services from any entity mentioned in this research report.

RHB and its employees and/or agents do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report, including where such losses, loss of profits or damages are alleged to have arisen due to the contents of such report or communication being perceived as defamatory in nature.

The term "RHB" shall denote where applicable, the relevant entity distributing the report in the particular jurisdiction mentioned specifically herein below and shall refer to RHB Research Institute Sdn Bhd, its holding company, affiliates, subsidiaries and related companies.

All Rights Reserved. This report is for the use of intended recipients only and may not be reproduced, distributed or published for any purpose without prior consent of RHB and RHB accepts no liability whatsoever for the actions of third parties in this respect.

Malaysia

This report is published and distributed in Malaysia by RHB Research Institute Sdn Bhd (233327-M), Level 11, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, a wholly-owned subsidiary of RHB Investment Bank Berhad (RHBIB), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Singapore

This report is published and distributed in Singapore by DMG & Partners Research Pte Ltd (Reg. No. 200808705N), a wholly-owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group) and OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB", which in turn is a wholly-owned subsidiary of RHB Capital Berhad). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited. DMG & Partners Securities Pte Ltd may have received compensation from the company covered in this report for its corporate finance or its dealing activities; this report is therefore classified as a non-independent report.

As of 25 August 2013, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd, do not have proprietary positions in the securities covered in this report, except for:

a) -

As of 25 August 2013, none of the analysts who covered the securities in this report has an interest in such securities, except for:

a) -

Special Distribution by RHB

Where the research report is produced by an RHB entity (excluding DMG & Partners Research Pte Ltd) and distributed in Singapore, it is only distributed to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with this research report, you are to contact our Singapore Office, DMG & Partners Securities Pte Ltd.

Hong Kong

This report is published and distributed in Hong Kong by RHB OSK Securities Hong Kong Limited ("RHBSHK") (formerly known as OSK Securities Hong Kong Limited), a subsidiary of OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB"), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

RHBSHK, RHBIB and/or other affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company. RHBSHK, RHBIB and/or other affiliates may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company.

Risk Disclosure Statements

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. RHB SHK does not maintain a predetermined schedule for publication of research and will not necessarily update this report

Indonesia

This report is published and distributed in Indonesia by PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Thailand

This report is published and distributed in Thailand by RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Other Jurisdictions

In any other jurisdictions, this report is intended to be distributed to qualified, accredited and professional investors, in compliance with the law and regulations of the jurisdictions.

Kuala Lumpur	Hong Kong	Singapore
<p>Malaysia Research Office RHB Research Institute Sdn Bhd Level 11, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 2185 Fax : +(60) 3 9284 8693</p>	<p>RHB OSK Securities Hong Kong Ltd. (formerly known as OSK Securities Hong Kong Ltd.) 12th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908</p>	<p>DMG & Partners Securities Pte. Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211</p>
Jakarta	Shanghai	Phnom Penh
<p>PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia) Plaza CIMB Niaga 14th Floor Jl. Jend. Sudirman Kav.25 Jakarta Selatan 12920, Indonesia Tel : +(6221) 2598 6888 Fax : +(6221) 2598 6777</p>	<p>RHB OSK (China) Investment Advisory Co. Ltd. (formerly known as OSK (China) Investment Advisory Co. Ltd.) Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633</p>	<p>RHB OSK Indochina Securities Limited (formerly known as OSK Indochina Securities Limited) No. 1-3, Street 271 Sangkat Toeuk Thla, Khan Sen Sok Phnom Penh Cambodia Tel: +(855) 23 969 161 Fax: +(855) 23 969 171</p>
Bangkok		
<p>RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL) 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 862 9999 Fax : +(66) 108 0999</p>		